

CITY OF BURLINGTON, VERMONT

AUDIT REPORT

JUNE 30, 2003

CITY OF BURLINGTON, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2003

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets Exhibit A

Statement of Activities Exhibit B

Fund Financial Statements:

Balance Sheet – Governmental Funds Exhibit C

Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds Exhibit D

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities Exhibit E

Statement of Revenues and Expenditures and Changes in
Fund Balances – Budget and Actual – General Fund and
School General Fund Exhibit F

Statement of Net Assets – Proprietary Funds Exhibit G

Statement of Revenues, Expenses and Changes in Fund
Net Assets – Proprietary Funds Exhibit H

Statement of Cash Flows – Proprietary Funds Exhibit I

Statement of Fiduciary Net Assets – Fiduciary Funds Exhibit J

Statement of Changes in Fiduciary Net Assets –
Fiduciary Funds Exhibit K

Notes to the Financial Statements

CITY OF BURLINGTON, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2003

Supplementary Information:

Combining Balance Sheet – School Department – All Governmental Funds	Schedule 1
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – School Department – All Governmental Funds	Schedule 2
Combining Balance Sheet – Other Governmental Funds	Schedule 3
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	Schedule 4
Combining Balance Sheet – City Special Revenue Funds	Schedule 5
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – City Special Revenue Funds	Schedule 6
Combining Balance Sheet – Capital Projects Funds	Schedule 7
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Funds	Schedule 8
Combining Balance Sheet – Permanent Funds	Schedule 9
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Permanent Funds	Schedule 10
Combining Balance Sheet – Private Purpose Trust Funds	Schedule 11
Combining Schedule of Revenues, Expenses and Changes in Fund Balances – Private Purpose Trust Funds	Schedule 12

Sullivan, Powers & Co.
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Independent Auditor's Report

Honorable Mayor and City Council
City of Burlington
Burlington, Vermont 05401

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Burlington, Vermont as of and for the year ended June 30, 2003, which collectively comprise the City of Burlington, Vermont's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Burlington, Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Department, which represents forty percent (40%) and sixty-three percent (63%), respectively, of the assets and revenues of the Enterprise Funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Department, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Burlington, Vermont, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and School General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Information included under Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the City of Burlington, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sullivan, Powers & Company

December 30, 2003
Montpelier, Vermont
Vt Lic. #92-000180

Management's Discussion and Analysis

As management of the City of Burlington, Vermont (The City), we offer readers of the City's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report.

Financial Highlights

Government-wide Statements (refer to Exhibits A and B)

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$151,266,560 (total net assets). Of this amount, \$30,355,874 (unrestricted net assets) may be used by the various funds of the City to meet its ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$8,957,307 during this fiscal period. Governmental activities increased by \$ 5,749,400 and Business-type activities increased by \$3,207,907.
- The total net assets of a component unit of the City, the Burlington Community Development Corporation amounted to \$1,620,941, an increase of \$61,305 for the year.

Fund Financial Statements (refer to Exhibit C and Footnote III J.)

- As of the close of the fiscal year ending June 30, 2003, the City's governmental funds reported combined ending fund balances of \$2,797,131.
- The reserved portion of the governmental fund balance includes \$467,604 for inventories and prepaid expenditures and \$4,422,569 set aside for other restricted purposes.
- Management has designated \$1,160,932 of the fund balance for two purposes. \$606,570 has been designated for development of the Industrial Park near the Airport and \$554,362 has been designated in the School Fund for education purposes.
- The undesignated fund balance of the General Fund component of the governmental funds had a positive ending fund balance of \$56,359, a decrease of \$55,719 from the previous fiscal year.
- The undesignated fund balance of the other governmental funds reported as a group amounted to a shortfall of (\$3,310,333), a decrease of \$1,153,816. This was due primarily to the timing of the receipt of state and federal grants and reimbursements for capital projects and development projects. Simply put, revenues for grants funds received 60 days or more after the end of the fiscal year are deferred and counted in the period they are received as required by GASB Statement #33.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the finances of the City of Burlington, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Burlington's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Burlington that are primarily supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Burlington include general government, safety services, public works, cultural and recreation activities, schools, traffic control and parking, the operation of an outdoor mall in the downtown area, and community and economic development. The business-type activities of the City include the operation of the Airport, the Electric Utility, Water, and Wastewater Utilities, and the food services operation and vocational educational programs administered by the School Department.

The government-wide financial statements are designed to include not only the City of Burlington itself (known as the primary government), but also any legally separate entities for which it is financially accountable (known as component units). The City of Burlington has one such unit, that being the Burlington Community Development Corporation (BCDC) that is organized to carry out the industrial and economic development of the City.

The government-wide financial statements can be found in Exhibits A and B of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Burlington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories:

governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City of Burlington maintains 26 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the school fund, which are considered to be major funds.

The City of Burlington adopts an annual appropriated budget for its General Fund and School General Fund. A budgetary comparison statement has been provided for the general fund and the School general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found in Exhibits C through F of this report.

Proprietary funds. The City of Burlington maintains one type of proprietary activities. Enterprise funds are used to report the same functions presented in business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its operation of the Airport Fund, the Electric Department, the Water Fund, the Wastewater Fund, and the School Department's Food Services and Vocational Education Funds.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Airport Fund, the Electric Fund, the Water Fund, and the Wastewater Fund and the School Enterprise Fund.

The basic proprietary fund financial statements can be found in Exhibits G through I of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found immediately following the basic financial statements in this report in Exhibits J and K.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Government-Wide Financial Analysis

CITY OF BURLINGTON NET ASSETS (Refer to Exhibit A)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 30,515,920	\$ 28,016,958	\$ 94,594,776	\$ 68,939,910	\$ 125,110,696	\$ 96,956,868
Capital assets	74,392,360	66,428,366	159,901,593	156,367,898	234,293,953	222,796,264
Total Assets	104,908,280	94,445,324	254,496,369	225,307,808	359,404,649	319,753,132
Long-term liabilities outstanding	47,353,016	40,030,363	141,762,071	118,040,042	189,115,087	158,070,405
Other liabilities	9,348,381	11,957,478	9,674,621	7,415,996	19,023,002	19,373,474
Total Liabilities	56,701,397	51,987,841	151,436,692	125,456,038	208,138,089	177,443,879
Net Assets						
Investment in capital assets, net of related debt	35,566,714	30,039,552	54,717,391	52,605,618	90,284,105	82,645,170
Restricted	14,949,481	14,487,989	15,697,100	11,845,120	30,646,581	26,333,109
Unrestricted	(2,309,312)	(2,070,058)	32,645,186	35,401,032	30,335,874	33,330,974
Total Net Assets	\$ 48,206,883	\$ 42,457,483	\$ 103,059,677	\$ 99,851,770	\$ 151,266,560	\$ 142,309,253

As noted earlier, net assets may serve over time to be a useful indicator of a government's financial position. In the case of the City of Burlington, assets exceeded liabilities by \$151,266,560 at the close of fiscal year 2003. This is an increase of \$8,957,307 over the amount reported at June 30, 2002.

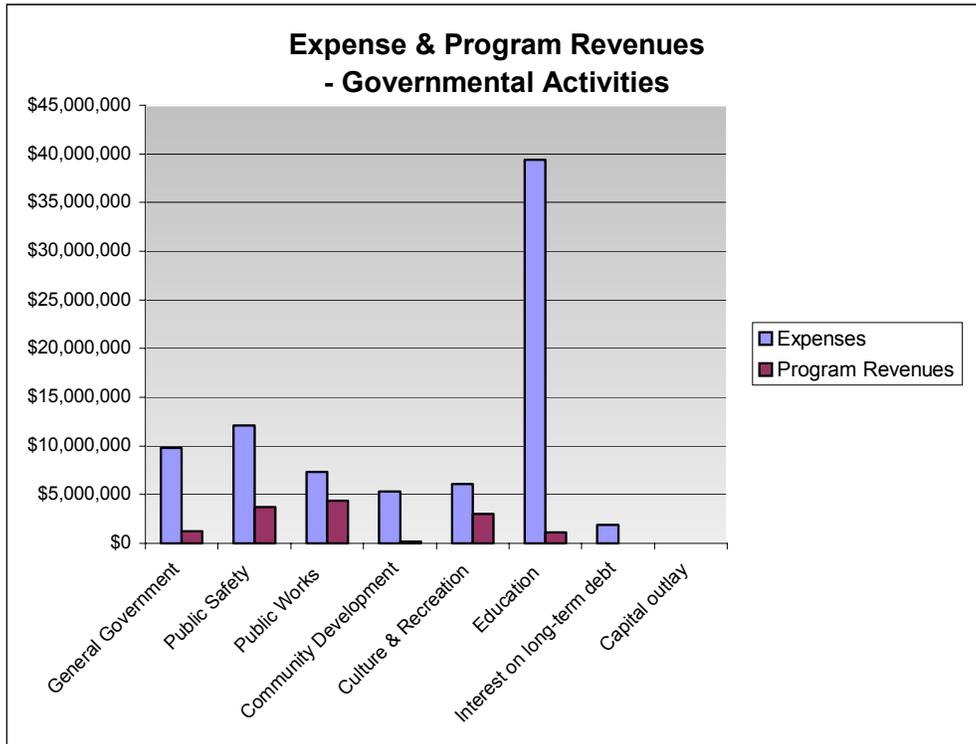
The largest portion of the City's net assets (60% or \$90,284,105) reflects its investments in capital assets (e.g., land buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. This is an increase of \$7,638,935 over the previous fiscal year. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (20% or \$30,646,581) represents resources that are subject to external restriction as to how they may be used. This is an increase of \$4,313,472 over FY 2002. The remaining balance of unrestricted net assets (20% or \$30,335,874) is to be used to meet the government's ongoing obligations to citizens and creditors. Included in unrestricted net assets are amounts that management has designated for particular purposes, such as capital reserve funds, reserves for encumbrances, and reserves for expenditures in subsequent fiscal years. The unrestricted net assets declined by \$2,995,100 this year.

At the end of fiscal year 2003, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for its separate business-type activities. The governmental activities area reports a positive balance of \$35,566,714 of investments in capital assets, net of related debt and a positive balance \$14,949,481 in net assets that are subject to external restriction. However, there is a negative balance of (\$2,309,312) in the governmental activities unrestricted net assets section. This is primarily due to the change in reporting of liabilities formerly reported in the general long-term debt account group such as insurance reserves, compensated absences, landfill post-closure costs, and early retirement costs in the City's School Department. In the governmental activities section, investments in capital assets increased by \$5,527,162 from \$30,039,552, restricted net assets increased by \$461,492 from \$14,487,989, and unrestricted net assets decreased by \$239,254 from (\$2,070,058) from the ending balance of FY 2002.

The negative unrestricted net assets in the Governmental Activities includes \$595,401 for the General Fund, \$988,627 for the School Funds, \$26,152 for the Church Street Marketplace Fund, \$253,702 for the DPW new facility, \$115,926 for the Library Heating Upgrade, and \$329,504 for the Transportation Facility Fund.

Governmental activities. Governmental activities increased the City's net assets by \$5,749,400 or 13.5% during the current fiscal year to \$48,206,883 over the ending amount of \$42,457,483 in FY 2002. The major factor contributing to this increase was the addition of capital assets, net of long-term liabilities during the fiscal year. Please refer to Exhibits D and E for a list of other changes in net assets of governmental activities.



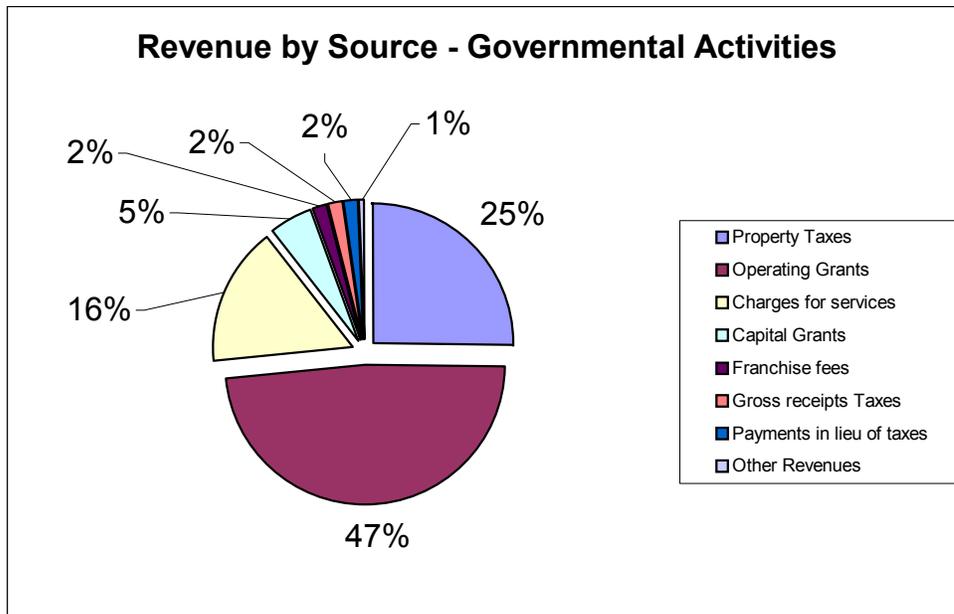
The above graph illustrates the expenses associated with the various functions of governmental activities and the revenues that are directly associated with or generated by these functions. The expenses of these functions are also funded with general revenues, such as property taxes, that are collected centrally.

The chart below is a one page presentation of Exhibit B that illustrates the components of the revenue sources and expenditure areas of the government wide Statement of Activities.

CITY OF BURLINGTON, VERMONT CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues						
Program revenues						
Charges for services	\$13,707,887	\$13,240,179	\$61,512,626	\$58,247,210	\$75,220,513	\$71,487,389
Operating Grants and Contributions	40,567,938	19,265,388	427,233	431,577	40,995,171	19,696,965
Capital Grants and Contributions	4,098,549	3,239,005	3,322,347	1,095,984	7,420,896	4,334,989
General revenues						
Property Taxes	21,440,315	40,116,693	0	0	21,440,315	40,116,693
Rooms and Meals Taxes	1,355,279	1,339,729	0	0	1,355,279	1,339,729
Payments in lieu of taxes	1,481,522	1,098,400	0	0	1,481,522	1,098,400
Street Franchise fees	1,434,108	1,344,202	0	0	1,434,108	1,344,202
Development Impact Fees	73,061	92,836	0	0	73,061	92,836
Interest & Penalties on delinquent taxes	290,878	225,545	0	0	290,878	225,545
Addition to Permanent Funds	13,065	0	0	0	13,065	0
Restricted Contributions	0	8,825	0	0	0	8,825
Unrestricted Investment Earnings	509,575	116,653	645,660	771,787	1,155,235	888,440
Other Revenues	61,025	19,881	1,053,435	738,731	1,114,460	758,612
Airport Passenger Facility Charges	0	0	1,447,546	1,366,706	1,447,546	1,366,706
Gain (loss) on Sale of Capital Assets/ Associated Companies	32,000	0	66,476	1,744,613	98,476	1,744,613
Total Revenues	<u>85,065,202</u>	<u>80,107,336</u>	<u>68,475,323</u>	<u>64,396,608</u>	<u>153,540,525</u>	<u>144,503,944</u>
Expenses						
Governmental Activities						
General Government	9,813,081	8,955,487	0	0	9,813,081	8,955,487
Public Safety	12,119,563	12,095,101	0	0	12,119,563	12,095,101
Public Works	7,328,226	5,063,421	0	0	7,328,226	5,063,421
Community Development	5,340,787	4,589,375	0	0	5,340,787	4,589,375
Culture and Recreation	6,094,800	4,344,723	0	0	6,094,800	4,344,723
Education	39,385,227	38,175,078	0	0	39,385,227	38,175,078
Interest on long-term debt	1,881,561	1,721,840	0	0	1,881,561	1,721,840
Business Type Activities						
Electric Utility	0	0	41,458,796	36,439,009	41,458,796	36,439,009
Airport	0	0	10,800,791	9,384,996	10,800,791	9,384,996
Water	0	0	4,040,413	3,838,731	4,040,413	3,838,731
Wastewater	0	0	4,683,346	4,804,838	4,683,346	4,804,838
School Enterprise	0	0	1,636,627	1,448,593	1,636,627	1,448,593
Total Expenses	<u>81,963,245</u>	<u>74,945,025</u>	<u>62,619,973</u>	<u>55,916,167</u>	<u>144,583,218</u>	<u>130,861,192</u>
Changes in net assets before transfers	3,101,957	5,162,311	5,855,350	8,480,441	8,957,307	13,642,752
Transfers	2,647,443	2,472,670	(2,647,443)	(2,472,670)	0	0
Change in net assets	5,749,400	7,634,981	3,207,907	6,007,771	8,957,307	13,642,752
Net Assets - Beginning of Year	42,457,483	34,822,502	99,851,770	93,843,999	142,309,253	128,666,501
Net Assets - End of Year	<u>\$48,206,883</u>	<u>\$42,457,483</u>	<u>\$103,059,677</u>	<u>\$99,851,770</u>	<u>\$151,266,560</u>	<u>\$142,309,253</u>

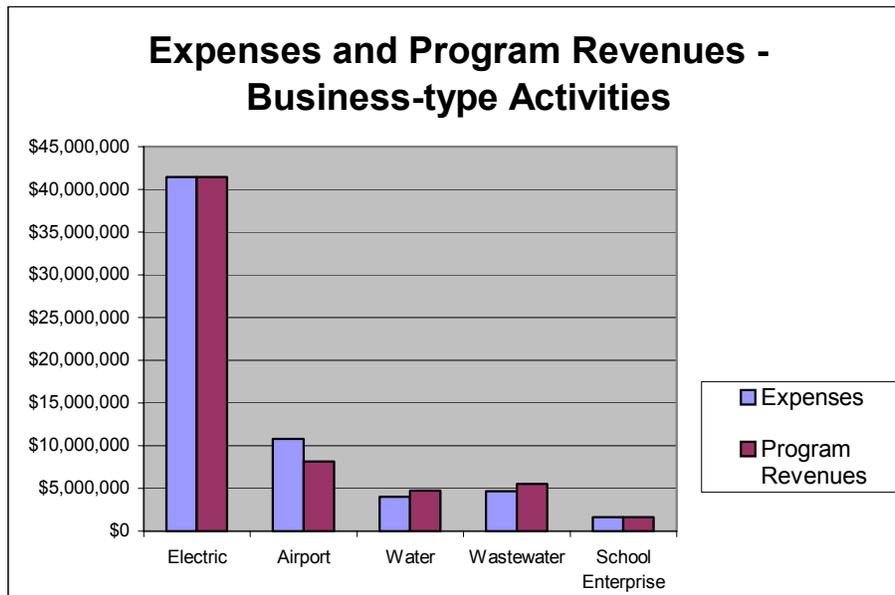
The table below shows the percentages of revenue by each type of revenue of governmental activities. The largest sources are property taxes (25% of total), operating grants (47%), and charges for services (16%).



Business-type activities. Business-type activities also increased the net assets of the City this year in the amount of \$3,207,907 from \$99,851,770 to \$103,059,677. Key elements of this change are as follows:

- Operating Income for all Business-type activities amounted to \$3,806,436. This contrasts with an operating income amount of \$7,127,795 in FY 2002. The major operating revenue source is charges for services at \$61,512,626, which increased by 8.0% over the prior fiscal year. However, operating expenditures ended the year at \$57,706,190, an increase 12.8% which contributed significantly to the operating income decrease. The most significant increase in operating expenditures occurred in the Electric Utility due to advances in the cost of purchased power and staffing costs. The Airport costs also contributed to the change. Increased security costs, funded by the airport, were a significant factor in this increase.
- Included in the operating expenses is depreciation in the amount of \$8,772,506 for all business-type activities.
- There was a positive change in net assets for all business-type funds with the exception of Wastewater, which experienced a very slight decrease. The changes in net assets by fund follow below:

<u>Fund</u>	<u>Change in Net Assets</u>
Electric Utility	\$ 241,585
Airport	2,590,151
Water Resources	433,833
Wastewater	(126,512)
School Enterprise Funds	68,850
Total	<u>\$ 3,207,907</u>



Program revenues for business-type activities amounted to \$65,262,206 for the year. Almost all (94.2%) of the program revenues for business-type activities come from charges for services. The remainder of the program revenues consists of operating grants and capital grants for Airport and Water projects.

Financial Analysis of the Government's Funds

As noted earlier, the City of Burlington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,797,131, a slight increase of \$163,928 or 6.2% over the previous fiscal year. The City has designated \$1,160,932 of the fund balance for two purposes. \$606,570 has been designated for development of the Industrial Park near the Airport and \$554,362 has been designated in the School Fund for education purposes. The reserved portion of the governmental fund balance includes \$467,604 for inventories and prepaid expenditures and \$4,422,569 set aside for other restricted purposes such as capital and grant-funded projects. The undesignated, unreserved fund balance of all governmental funds amounts to a shortfall of (\$3,253,974). The General Fund balance component had a positive undesignated fund balance of \$56,359, a decrease of \$55,719 from the previous fiscal year. This is .14% of expenditures, which leaves the City with limited flexibility to deal with contingencies. The undesignated balance in the other governmental funds reported as a group amounted to (\$3,310,333). As stated previously in the Financial Highlights, this was due primarily to the timing of the receipt of state and federal grants and reimbursements for capital projects and development projects.

The fund balance of the City's general fund decreased slightly by \$148,631 during this reporting period. Some of the key factors concerning this fund follow below:

- Under performing revenues included property taxes (short of anticipated by \$95,407) due to the settlement of tax appeals, parking ticket fines (short by \$101,465) due to staffing issues, and the allocation of insurance costs from other funds such as the insurance reserve (short by \$299,353), and employee health benefits (short by \$64,095).
- The Intergovernmental Revenue category fell short of budget by \$85,280. This was due primarily to the timing of receipt of a state grant that was received more than 60 days after the end of the fiscal year.
- Workers compensation costs rose by 34% to \$1,392,634 or by \$357,085 over the previous fiscal year.
- Several operating departments exceeded the expenditure budget as listed in the General Fund Budgetary highlights below.
- Development Related revenues associated with construction projects in the City were very strong. These consist of permit fees, which exceeded budget by \$594,785 and recording fees, which exceeded expectations by \$219,206. However, zoning related permits fell short of anticipated by \$49,068.

The School General Fund balance increased by \$248,930. Increases in the amount of Payments in Lieu of Taxes over the amount anticipated of \$235,690 and the receipt of \$628,960 of intergovernmental revenues over budget were significant revenue factors contributing to this change. This increased level of revenues helped to offset expenditures of \$371,148 over budget.

Proprietary funds. The City of Burlington's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail

Net assets for the Electric Utility fund amounted to \$43,862,600, those for the Airport fund amounted to \$38,269,407, those for the Water Resources fund amounted to \$7,711,901, those for Wastewater fund amounted to \$12,651,199, and those for the School Enterprise Funds amounted to \$564,570. Net assets of the Wastewater fund decreased slightly by \$126,512 due to a decline in interest earnings and charges for services. However, the unrestricted assets of the Electric Utility, Airport, Water resources, and School Enterprise Funds increased by \$241,585, \$2,590,151, \$433,833 and \$68,850 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between budgeted amounts and actual amounts can be briefly summarized as follows:

Revenues: There were several revenue sources that were particularly strong. These were permit fees collected by DPW Inspection Services (\$594,785 above anticipated), and recording fees collected in the City Clerk/Treasurer's Office (\$219,206 above anticipated). Another strong revenue source was ambulance fees credited to the Fire Department (\$212,788 above anticipated).

However, there were several disappointing revenue sources this year. These included the property taxes (\$95,407 below anticipated), Parking ticket fines (\$114,681 below anticipated), the allocation of insurance costs from other funds (\$299,353 below anticipated) and an intergovernmental grant in the amount of \$250,000 not received within 60 days of the end of the fiscal year.

Expenditures:

For the third consecutive year, the largest challenge facing the City budget was the rise in worker's compensation costs. Citywide, workers compensation costs rose by 34% to \$1,392,634 or by \$357,085 over the previous fiscal year. To further understand the significance of this increase, in 1998, worker's compensation costs amounted to \$400,431 citywide. Costs have risen 347% in just six years. These costs were analyzed to determine which departments had the highest usage and an allocation of costs was made to those departments having higher than expected usage. On the positive side, employee health costs fell slightly under the projected level and increased citywide by only 3% when about a 10% increase was projected.

Another problem area was the expenditures in the City Attorney's Office that exceeded the budgeted level by about \$107,190. The primary reason again this year was the increased cost incurred in settling zoning issues. The Fire Department exceeded its expenditure budget by \$124,668 with a major portion attributed to overtime costs and extra duty pay. The Parks & Recreation Department exceeded its expenditure budget by \$166,656, which was only partially offset by increased revenues. City Arts expenditures remained within the constraints of available funds in FY 2003.

Fiduciary funds.

The Retirement Fund net assets dropped by \$3,353,889 during the year due to overall economic and market conditions and stood at \$85,452,072 at June 30, 2003. The City is monitoring this situation and several options are being reviewed to address it.

Capital Assets and Debt Administration

Capital assets. The City of Burlington's investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounted to \$90,284,105 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, water and wastewater distribution systems, electric generating and transmissions capital assets and land, land improvements and buildings at the Burlington International Airport.

In the governmental area, the total amounted to \$35,566,714, an increase of \$5,527,162 over the FY 2002 level. The capital assets of the City's business-type activities increased by \$2,111,773 to a net of \$54,717,391.

Major capital events during the current fiscal year included the following:

- The completion of phase one of the renovation and restoration of the Old Firehouse building at a total cost of \$2,575,843 paid with grants, a contribution from City capital funds, and fund-raising.

- Completion of the first phase of the municipal telecommunications project including building a fiber optic network and associated equipment at a cost of \$2,848,211 funded by a capital lease. This connected all municipal buildings (17 in total).
- Road, curb and sidewalk construction amounting to \$1,391,150 funded by dedicated property taxes.
- A land purchase at the corner of Battery and Cherry slated for future development at a cost of \$1,800,000 paid for with a federal loan.
- Improvements to the heating and ventilation system at the Fletcher Free Library amounting to \$251,007 paid for by impact fees and interfund loan.
- Vehicles and machinery purchases including 6 Police cars, One van for the Library Outreach program, three trucks and trailers for Parks & Recreation, two state of the art recycling trucks, two fully equipped ambulances for the Fire Department, and several trucks and pieces of heavy equipment for the Department of Public Works amounting to \$1,111,509.
- A Computer Aided Dispatch and records Management System for the Police Department at a cost of \$305,320 funded by grants.
- A Land Records database used by the City Assessor, Planning & Zoning, Code Enforcement, and DPW Inspections in the amount of \$409,294 funded by a capital lease and Act 60 funds.

A table that shows the values of the City's capital assets for two fiscal years, prior to depreciation, is as follows:

	Governmental Activities		Business-type activities		Totals	
	2003	2002	2003	2002	2003	2002
Land	\$ 16,629,726	\$ 14,624,001	\$ 12,091,801	\$ 10,453,283	\$ 28,721,527	\$ 25,077,284
Construction in Progress	3,277,477	7,637,214	3,167,993	1,051,983	6,445,470	8,689,197
Antiques and Works of Art	52,000	52,000	-	-	52,000	52,000
Land Improvements	125,000	125,000	29,490,216	27,437,071	29,615,216	27,562,071
Buildings and Building Improvements	50,458,492	45,310,012	41,874,524	40,571,226	92,333,016	85,881,238
Vehicles, Machinery, Equipment and Furniture	16,306,857	12,841,270	16,231,188	15,882,848	32,538,045	28,724,118
Book Collections	2,234,722	2,152,229	-	-	2,234,722	2,152,229
Roads, Curbs, and Sidewalks *	5,878,575	1,853,797	-	-	5,878,575	1,853,797
Distributions and Collections Systems	-	-	169,532,674	165,810,827	169,532,674	165,810,827
Total Assets	\$ 94,962,849	\$ 84,595,523	\$ 272,388,396	\$ 261,207,238	\$ 367,351,245	\$ 345,802,761

* Roads, Curbs, and Sidewalks reflect the activity of the 2003 and 2002 reporting periods only. The City will incorporate the activity from past fiscal periods in its future financial statements.

Additional information of the City of Burlington's net assets can be found in note IV.E. of the notes to the financial statements.

Long-term debt. At the end of the current year, the City of Burlington had total bonds, notes, and capital leases payable of \$204,380,576. Of this, \$41,524,405 applies to governmental activities and \$162,856,171 (prior to unamortized premiums, discounts, and deferred loss on refunding) applies to business-type activities. The table below presents the components of this category for the current and past fiscal years:

	Governmental Activities		Busines-type activities		Totals	
	2003	2002	2003	2002	2003	2002
General Obligation Bonds	\$ 19,335,700	\$ 17,097,634	\$ 5,639,300	\$ 7,177,367	\$ 24,975,000	\$ 24,275,001
Revenue Bonds	-	-	157,067,456	134,232,009	157,067,456	134,232,009
Bond/Revenue Anticipation & Notes Payable	16,799,590	16,000,192	-	-	16,799,590	16,000,192
Obligations Under Capital Leases	5,389,115	4,840,385	149,415	248,276	5,538,530	5,088,661
Totals	\$ 41,524,405	\$ 37,938,211	\$ 162,856,171	\$ 141,657,652	\$ 204,380,576	\$ 179,595,863

The City's total bonds, notes and capital leases increased by \$24,784,713 during the year. General obligation bonds outstanding increased by \$700,000 to 24,975,000 due to the following new issues and refundings. A new General Obligation bond for \$750,000 was issued in July 2002 to finance general capital improvements and small working capital needs. \$443,000 was used to repay a bond anticipation note taken out on June 24, 2002. The major uses of these funds were improvements to City Hall and Leddy Arena. The School Department also issued a bond of \$860,000 as part of the financing to make improvements at several City Schools in July 2002. Also, in July 2002, the School and Electric Departments issued refunding bonds for the purpose of reducing future debt service. Another general obligation bond for \$2,500,000 was issued in April 2003 for the purpose of financing new public safety vehicles. Once again, Moody's Investor's Services, Inc. reaffirmed the City's General Obligation bond rating of Aa3. The City issued \$2,075,000 of Refunding Certificates of Participation in July 2002 to refund debt issued in June 1995 to reduce financing costs. These certificates originally funded improvements to the City's Police Station.

The Burlington International Airport issued a \$24,800,000 revenue bond in June 2003 for the purpose of making capital improvements to the terminal and parking facilities. Overall, the amount of revenue bond debt increased by \$22,835,447 this year to \$157,067,456. The balances due for the various revenue bonds at June 30, 2003 (exclusive of unamortized discounts, premiums, and deferred losses on refunding) were as follows:

Electric Department	\$ 70,740,000
Water Resources	10,795,000
Wastewater Department	24,202,456
Airport	<u>51,330,000</u>
Total Revenue Bonds	<u>\$157,067,456</u>

The City issued \$4,000,000 in tax anticipation notes during the year, all of which were paid in full by June 30, 2003. There was a \$1,000,000 Wastewater revenue anticipation note issued and paid back during the year. The City issued \$278,800 in bond anticipation notes on June 30, 2003 to pay for costs associated with the replacement of docks at Waterfront Park. These notes were repaid from proceeds of a general obligation capital lease issued in July 2003.

Additional Information on the City of Burlington's long-term debt can be found in note IV.I. of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Listed below are some of the factors that were factored in formulating the budget for fiscal year 2004:

- The Municipal grand list value for the City increased to \$1,874,303,320. This amounted to an increase of \$33,066,720 or 1.8% from the prior fiscal year.
- The rate of increase in the cost of employer costs and employee benefits, particularly worker's compensation costs, increased faster than the rate of inflation again this fiscal year.
- The Employee Retirement plan suffered a significant loss of the market value of its assets over a three-year period.
- The cost of Downtown Policing of establishments serving alcohol has grown with additional funds required for this activity to be self-supporting.
- The cost of purchased power by the City's electric utility has increased significantly.

2004 City Budget

The City of Burlington approved a general fund budget for fiscal year 2004 in the amount of \$40,491,220. This represents an increase of 6.5% over the previous fiscal year. About \$1,105,720 of this increase is the result of a 6.25-cent increase in a dedicated tax rate for the employee pension fund. These additional taxes were necessary due to the loss in market value of pension investments due to overall economic conditions in the country. Benefit levels are also being examined with the objective of maintaining as strong a benefit as can reasonably be afforded.

In this budget, the grand list growth is projected to be about ½ % and will fund some of the increase in the benefits and employer costs. The budget includes an increase in the City Rooms and Meals tax which will generate about \$295,000 in funds. Most of this will cover the costs associated with the downtown policing of establishments that sell liquor.

Rates for the Water, and Wastewater held steady during this fiscal year. The Electric Department rates are slated to increase by 7.1% on January 1, 2004 to cover the increased costs of purchased power and overhead. Airport charges for landing fees, terminal rent, and parking were reviewed and increased as part of the analysis of rates needed are being reviewed and a mid-year adjustment is likely to take place.

This financial report is designed to provide a general overview of the City of Burlington, Vermont's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Clerk/Treasurer, City of Burlington, City Hall, 149 Church Street, Burlington, VT 05401.

CITY OF BURLINGTON, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-type Activites	Total	Burlington Community Development Corporation
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 4,225,172	\$ 5,463,544	\$ 9,688,716	\$ 83,107
Investments	3,517,396	2,818,610	6,336,006	0
Receivables (Net of Allowance for Uncollectibles):				
Taxes Receivable	1,762,433	0	1,762,433	0
Accounts Receivable	7,721,093	9,324,678	17,045,771	26,828
Notes and Loans Receivable	9,131,597	2,864,599	11,996,196	1,526,065
Accrued Interest Receivable	3,057,256	10,425	3,067,681	8,761
Estimated Unbilled Revenues	0	2,408,498	2,408,498	0
Inventories	353,817	3,202,006	3,555,823	0
Other Current Assets	612,983	187,552	800,535	0
Due from Other Governments	266,500	0	266,500	0
Interfund Loans Receivable/Payable	(242,593)	242,593	0	0
Restricted Assets:				
Investments	0	41,186,449	41,186,449	0
Investments in Associated Companies	0	427,576	427,576	0
Other Long-Term Assets, Net of Accumulated Amortization	110,266	26,458,246	26,568,512	0
Capital Assets				
Land	16,629,726	12,091,801	28,721,527	662,604
Construction in Progress	3,277,477	3,167,993	6,445,470	0
Antiques and Works of Art	52,000	0	52,000	0
Other Capital Assets, (Net of Accumulated Depreciation)	54,433,157	144,641,799	199,074,956	1,987,824
Total Assets	<u>104,908,280</u>	<u>254,496,369</u>	<u>359,404,649</u>	<u>4,295,189</u>
<u>LIABILITIES</u>				
Accounts Payable	6,909,068	4,471,223	11,380,291	10,203
Accrued Payroll and Benefits Payable	595,092	2,202,338	2,797,430	0
Due to Fiduciary Funds	3,675	4,248	7,923	0
Accrued Interest Payable	236,466	831,036	1,067,502	8,761
Deferred Revenue	1,604,080	0	1,604,080	0
Payable from Restricted Assets	0	2,165,776	2,165,776	0
Noncurrent Liabilities:				
Due within One Year	5,060,259	7,837,752	12,898,011	97,403
Due in More than One Year	42,292,757	133,924,319	176,217,076	2,557,881
Total Liabilities	<u>56,701,397</u>	<u>151,436,692</u>	<u>208,138,089</u>	<u>2,674,248</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	35,566,714	54,717,391	90,284,105	1,521,209
Restricted for:				
Traffic	605,160	0	605,160	0
Community Development/Housing Trust	13,181,140	0	13,181,140	0
Perpetual Care	820,728	0	820,728	0
Debt Service/Renewal and Replacements	0	15,697,100	15,697,100	0
Other Purposes	342,453	0	342,453	0
Unrestricted:	<u>(2,309,312)</u>	<u>32,645,186</u>	<u>30,335,874</u>	<u>99,732</u>
Total Net Assets	<u>\$ 48,206,883</u>	<u>\$ 103,059,677</u>	<u>\$ 151,266,560</u>	<u>\$ 1,620,941</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF BURLINGTON, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003**

	Net (Expense) Revenue and Changes in Net Assets							Component Unit Burlington Community Development Corporation
	Program Revenues				Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Functions/Programs								
Primary Government:								
Governmental Activities:								
General Government	\$ 9,813,081	\$ 1,242,980	\$ 292,336	\$ 0	\$ (8,277,765)	\$ 0	\$ (8,277,765)	\$ 0
Public Safety	12,119,563	3,745,538	640,809	281,593	(7,451,623)	0	(7,451,623)	0
Public Works	7,328,226	4,393,978	281,442	0	(2,652,806)	0	(2,652,806)	0
Community Development	5,340,787	205,695	5,051,706	215,000	131,614	0	131,614	0
Culture and Recreation	6,094,800	2,983,056	225,188	364,493	(2,522,063)	0	(2,522,063)	0
Education	39,385,227	1,136,640	34,076,457	0	(4,172,130)	0	(4,172,130)	0
Interest on Long-Term Debt	1,881,561	0	0	0	(1,881,561)	0	(1,881,561)	0
Capital Outlay	0	0	0	3,237,463	3,237,463	0	3,237,463	0
Total Governmental Activities	81,963,245	13,707,887	40,567,938	4,098,549	(23,588,871)	0	(23,588,871)	0
Business-Type Activities:								
Electric	41,458,796	41,424,471	0	0	0	(34,325)	(34,325)	0
Airport	10,800,791	8,145,079	427,233	3,322,347	0	1,093,868	1,093,868	0
Water	4,040,413	4,748,398	0	0	0	707,985	707,985	0
Wastewater	4,683,346	5,543,852	0	0	0	860,506	860,506	0
School	1,636,627	1,650,826	0	0	0	14,199	14,199	0
Total Business-Type Activities	62,619,973	61,512,626	427,233	3,322,347	0	2,642,233	2,642,233	0
Total Primary Government	144,583,218	75,220,513	40,995,171	7,420,896	(23,588,871)	2,642,233	(20,946,638)	0
Component Unit:								
Burlington Community Development Corporation	263,653	234,803	90,155	0	0	0	0	61,305
General Revenues:								
Property Taxes					21,440,315	0	21,440,315	0
Gross Receipts Taxes					1,355,279	0	1,355,279	0
Payment in Lieu of Taxes					1,481,522	0	1,481,522	0
Franchise Fees					1,434,108	0	1,434,108	0
Impact Fees					73,061	0	73,061	0
Interest and Penalties on Delinquent Taxes					290,878	0	290,878	0
Addition to Permanent Funds					13,065	0	13,065	0
Unrestricted Investment Earnings					509,575	645,660	1,155,235	0
Other Revenues					61,025	1,053,435	1,114,460	0
Passenger Facility Charges					0	1,447,546	1,447,546	0
Gain (loss) on Sale of Capital Assets/Associated Companies					32,000	66,476	98,476	0
Transfers					2,647,443	(2,647,443)	0	0
Total General Revenues and Transfers					29,338,271	565,674	29,903,945	0
Change in Net Assets					5,749,400	3,207,907	8,957,307	61,305
Net Assets - July 1, 2002					42,457,483	99,851,770	142,309,253	1,559,636
Net Assets, June 30, 2003					\$ 48,206,883	\$ 103,059,677	\$ 151,266,560	\$ 1,620,941

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ (881,291)	\$ 5,060,363	\$ 46,100	\$ 4,225,172
Investments	1,794,500	42,565	1,680,331	3,517,396
Receivables (Net of Allowance for Uncollectibles)				
Taxes Receivable	1,762,433	0	0	1,762,433
Accounts Receivable	1,529,301	1,192,605	4,999,187	7,721,093
Notes Receivable	0	0	9,131,597	9,131,597
Accrued Interest Receivable	0	0	3,057,256	3,057,256
Due from Other Governments	266,500	0	0	266,500
Due from Other Funds	8,178	0	0	8,178
Inventories	209,760	0	144,057	353,817
Other Current Assets	560,097	50,825	2,061	612,983
Total Assets	\$ 5,249,478	\$ 6,346,358	\$ 19,060,589	\$ 30,656,425
<u>LIABILITIES</u>				
Liabilities:				
Accounts Payable	1,376,820	4,053,924	1,478,324	6,909,068
Accrued Payroll and Benefits Payable	535,544	0	59,548	595,092
Due to Other Funds	171	0	11,682	11,853
Interfund Loans Payable	0	0	242,593	242,593
Deferred Revenue	1,673,247	1,583,119	16,390,194	19,646,560
Compensated Absences - Current	0	104,128	0	104,128
Insurance Reserves - Funded	350,000	0	0	350,000
Total Liabilities	3,935,782	5,741,171	18,182,341	27,859,294
Fund Balances:				
Reserved for				
Inventories and Prepaid				
Expenditures	270,661	50,825	146,118	467,604
Other Purposes	380,106	0	4,042,463	4,422,569
Unreserved, Reported In				
General Fund	662,929	0	0	662,929
Special Revenue Funds	0	554,362	(1,573,311)	(1,018,949)
Capital Project Funds	0	0	(1,737,022)	(1,737,022)
Total Fund Balances	1,313,696	605,187	878,248	2,797,131
Total Liabilities and Fund Balances	\$ 5,249,478	\$ 6,346,358	\$ 19,060,589	
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:				
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.				74,392,360
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.				18,042,480
Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.				(47,025,088)
Net Assets of Governmental Activities				\$ 48,206,883

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 19,066,812	\$ 3,737,262	\$ 0	\$ 22,804,074
Payments in Lieu of Taxes	1,800,736	1,485,690	0	3,286,426
Intergovernmental Revenues	2,436,592	34,144,322	5,780,598	42,361,512
Charges for Services	5,607,475	1,136,640	5,114,057	11,858,172
Fines and Forfeits	1,212,932	0	0	1,212,932
Licenses and Permits	4,064,126	0	61,669	4,125,795
Investment Income	0	59,705	62,090	121,795
Other Revenue	1,612,618	0	1,931,652	3,544,270
Total Revenues	35,801,291	40,563,619	12,950,066	89,314,976
EXPENDITURES				
General Administration	10,428,802	0	0	10,428,802
Safety Services	11,951,973	0	0	11,951,973
Public Works	2,173,181	0	5,079,992	7,253,173
Community Development	0	0	7,388,791	7,388,791
Culture & Recreation	5,290,881	0	0	5,290,881
Education	0	39,458,884	0	39,458,884
Capital Outlay	4,236,437	0	5,968,042	10,204,479
Debt Service -				
Principal Retirement	2,200,061	479,140	132,135	2,811,336
Interest Charges	1,123,239	322,014	113,321	1,558,574
Bond Issue Costs	59,727	0	53,912	113,639
Total Expenditures	37,464,301	40,260,038	18,736,193	96,460,532
Excess/(Deficiency) of Revenues Over Expenditures	(1,663,010)	303,581	(5,786,127)	(7,145,556)
Other Financing Sources/(Uses):				
Transfers In	85,632	187,157	759,276	1,032,065
Transfers Out	(729,276)	(241,808)	(115,632)	(1,086,716)
Capital Related Debt Issued	2,014,546	0	5,160,000	7,174,546
Refunding Bonds Issued	2,075,000	0	1,070,000	3,145,000
Payment to Refunded Bond Escrow Agent	(1,940,000)	0	(1,060,000)	(3,000,000)
Net Premium/(Discount) on Debt	8,477	0	36,112	44,589
Total Other Financing Sources (Uses)	1,514,379	(54,651)	5,849,756	7,309,484
Net Change in Fund Balances	(148,631)	248,930	63,629	163,928
Fund Balances, July 1, 2002	1,462,327	356,257	814,619	2,633,203
Fund Balances, June 30, 2003	\$ 1,313,696	\$ 605,187	\$ 878,248	\$ 2,797,131

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2003

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$ 163,928
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	7,963,887
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,197,899
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,562,409)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(13,905)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 5,749,400</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND AND SCHOOL GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003

	General Fund				School "General Fund"		
	Budget		Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
	Original	Final					
Revenues:							
Taxes and Special Assessments	\$ 19,109,960	\$ 19,109,960	\$ 19,066,812	\$ (43,148)	\$ 3,684,480	\$ 3,737,262	\$ 52,782
Payments in Lieu of Taxes	1,384,900	1,384,900	1,485,689	100,789	1,250,000	1,485,690	235,690
Permits and Licenses	3,186,260	3,196,260	4,064,126	867,866	0	0	0
Intergovernmental Revenues	1,178,480	2,521,872	2,436,592	(85,280)	24,235,868	24,864,828	628,960
Charges for Services	5,045,220	5,211,970	5,379,844	167,874	557,567	644,258	86,691
Fines and Forfeits	1,212,000	1,214,500	1,212,932	(1,568)	0	0	0
Investment Income	0	0	0	0	100,000	59,705	(40,295)
Miscellaneous Revenues	2,050,980	1,504,430	1,621,095	116,665	0	0	0
Total Revenues	33,167,800	34,143,892	35,267,090	1,123,198	29,827,915	30,791,743	963,828
Expenditures:							
Current:							
General Administration	12,346,220	12,049,850	11,879,351	170,499	0	0	0
Safety Services	11,317,305	12,011,345	12,190,630	(179,285)	0	0	0
Public Works	2,159,975	2,211,465	2,173,181	38,284	0	0	0
Cultural and Recreation	4,828,440	5,258,800	5,294,544	(35,744)	0	0	0
Education	0	0	0	0	30,083,200	30,454,348	(371,148)
Debt Service	2,099,700	2,099,700	2,112,617	(12,917)	0	0	0
Capital Outlay	2,950,800	3,362,170	3,208,754	153,416	0	0	0
Total Expenditures	35,702,440	36,993,330	36,859,077	134,253	30,083,200	30,454,348	(371,148)
Excess/(Deficiency) of Revenues Over Expenditures	(2,534,640)	(2,849,438)	(1,591,987)	1,257,451	(255,285)	337,395	592,680
Other Financing Sources/(Uses):							
Proceeds of Long-Term Debt	750,000	750,000	720,800	(29,200)	0	0	0
Operating Transfers In	3,974,180	3,974,180	3,221,276	(752,904)	0	0	0
Operating Transfers Out	(2,289,540)	(2,289,540)	(2,498,720)	(209,180)	0	0	0
Total Other Financing Sources/(Uses)	2,434,640	2,434,640	1,443,356	(991,284)	0	0	0
Net Change in Fund Balances	\$ (100,000)	\$ (414,798)	\$ (148,631)	\$ 266,167	\$ (255,285)	\$ 337,395	\$ 592,680

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003

	Electric Utility	Airport	Water Resources	Wastewater	School Enterprise	Total
ASSETS						
Current Assets						
Cash	\$ 2,101,898	\$ 2,806,550	\$ 864,680	\$ (542,537)	\$ 232,953	\$ 5,463,544
Investments	2,803,610	15,000	0	0	0	2,818,610
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	3,680,372	4,641,150	401,954	464,040	137,162	9,324,678
Notes Receivable - Current	235,421	0	0	0	0	235,421
Interfund Loans	242,593	0	0	0	0	242,593
Accrued Interest Receivable	0	9,872	553	0	0	10,425
Estimated Unbilled Revenues	1,313,842	369,858	344,098	380,700	0	2,408,498
Inventories	2,806,936	132,217	132,476	108,922	21,455	3,202,006
Other Current Assets	185,471	0	1,519	562	0	187,552
Total Current Assets	13,370,143	7,974,647	1,745,280	411,687	391,570	23,893,327
Noncurrent Assets						
Restricted Cash and Investments	15,706,661	24,207,613	1,272,175	0	0	41,186,449
Notes Receivable - Long Term	2,629,178	0	0	0	0	2,629,178
Investment in Associated Company	427,576	0	0	0	0	427,576
Other Long Term-Assets, Net of Accumulated Amortization	24,293,151	1,977,810	177,466	9,819	0	26,458,246
Capital Assets						
Land	572,183	10,620,416	51,250	847,952	0	12,091,801
Construction in Progress	98,130	2,935,564	0	134,299	0	3,167,993
Land Improvements	0	29,490,216	0	0	0	29,490,216
Buildings and Building Improvements	0	41,874,524	0	0	0	41,874,524
Vehicles, Machinery and Equipment	0	3,152,984	1,057,650	11,796,645	223,909	16,231,188
Production, General and Other Plant	54,755,352	0	0	0	0	54,755,352
Transmission and Distribution Plant	39,137,899	0	32,938,008	42,701,415	0	114,777,322
Less Accumulated Depreciation	(49,235,432)	(28,869,459)	(18,461,284)	(15,873,041)	(47,587)	(112,486,803)
Total Noncurrent Assets	88,384,698	85,389,668	17,035,265	39,617,089	176,322	230,603,042
Total Assets	101,754,841	93,364,315	18,780,545	40,028,776	567,892	254,496,369
LIABILITIES						
Current Liabilities						
Accounts Payable	2,450,880	1,788,200	162,613	66,208	3,322	4,471,223
Accrued Payroll and Benefits Payable	2,140,994	27,903	20,932	12,509	0	2,202,338
Accrued Interest Payable	0	812,289	0	18,747	0	831,036
Due to Other Funds	0	0	2,631	1,617	0	4,248
Payable from Restricted Assets - Accrued Interest Payable	1,906,866	0	258,910	0	0	2,165,776
General Obligation Bonds						
Payable - Current Portion	346,467	265,000	11,000	970,000	0	1,592,467
Revenue Bonds Payable - Current Portion	4,080,000	1,080,000	870,000	129,182	0	6,159,182
Capital Leases Payable - Current Portion	3,876	0	20,629	45,295	0	69,800
Total Current Liabilities	10,929,083	3,973,392	1,346,715	1,243,558	3,322	17,496,070
Noncurrent Liabilities						
General Obligation Bonds Payable	1,480,154	492,135	16,284	1,951,063	0	3,939,636
Revenue Bonds Payable	44,633,186	50,515,430	9,551,954	24,073,274	0	128,773,844
Capital Leases Payable	9,445	0	9,235	60,935	0	79,615
Accrued Compensated Absences Payable	693,227	113,951	144,456	48,747	0	1,000,381
Other Noncurrent Liabilities	100,379	0	0	0	0	100,379
Deferred Credit	46,767	0	0	0	0	46,767
Total Noncurrent Liabilities	46,963,158	51,121,516	9,721,929	26,134,019	0	133,940,622
Total Liabilities	57,892,241	55,094,908	11,068,644	27,377,577	3,322	151,436,692
NET ASSETS						
Investment in Capital Assets, Net of Related Debt Restricted - Debt Service/Renewal and Replacements	6,311,317	30,558,424	5,283,988	12,387,340	176,322	54,717,391
Unrestricted	13,799,796	902,304	995,000	0	0	15,697,100
	23,751,487	6,808,679	1,432,913	263,859	388,248	32,645,186
Total Net Assets	43,862,600	38,269,407	7,711,901	12,651,199	564,570	103,059,677
Total Liabilities and Net Assets	\$ 101,754,841	\$ 93,364,315	\$ 18,780,545	\$ 40,028,776	\$ 567,892	\$ 254,496,369

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Electric Utility	Airport	Water Resources	Wastewater	School Enterprise	Total
OPERATING REVENUES:						
Charges for Services	\$ 40,180,392	\$ 7,924,995	\$ 4,661,168	\$ 5,543,852	\$ 1,650,826	\$ 59,961,233
Miscellaneous	1,244,079	220,084	87,230	0	0	1,551,393
Total Operating Revenues	41,424,471	8,145,079	4,748,398	5,543,852	1,650,826	61,512,626
OPERATING EXPENSES:						
Operating, Maintenance, and General and Administrative Expenses	32,940,612	5,917,995	2,797,876	2,970,175	1,604,932	46,231,590
Depreciation and Amortization	3,365,000	3,181,941	678,568	1,515,302	31,695	8,772,506
Payments in Lieu of Taxes	1,400,645	0	299,715	1,001,734	0	2,702,094
Total Operating Expenses	37,706,257	9,099,936	3,776,159	5,487,211	1,636,627	57,706,190
Operating Income /(Loss)	3,718,214	(954,857)	972,239	56,641	14,199	3,806,436
NONOPERATING REVENUES (EXPENSES):						
Other Income	1,053,435	0	0	0	0	1,053,435
Dividends from Associated Companies	66,476	0	0	0	0	66,476
Grant Income	0	3,749,580	0	0	0	3,749,580
Passenger Facility Charges	0	1,447,546	0	0	0	1,447,546
Investment Income	556,644	48,737	25,563	14,716	0	645,660
Interest Expense	(5,153,184)	(1,591,193)	(563,969)	(197,869)	0	(7,506,215)
Grant Expense	0	(109,662)	0	0	0	(109,662)
Total Nonoperating Revenues (Expenses)	(3,476,629)	3,545,008	(538,406)	(183,153)	0	(653,180)
Income (Loss) Before Transfers	241,585	2,590,151	433,833	(126,512)	14,199	3,153,256
TRANSFERS						
Transfers In	0	0	0	0	54,651	54,651
Total Transfers	0	0	0	0	54,651	54,651
Change in Net Assets	241,585	2,590,151	433,833	(126,512)	68,850	3,207,907
Total Net Assets, July 1, 2002	43,621,015	35,679,256	7,278,068	12,777,711	495,720	99,851,770
Total Net Assets - June 30, 2003	\$ 43,862,600	\$ 38,269,407	\$ 7,711,901	\$ 12,651,199	\$ 564,570	\$ 103,059,677

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Electric Utility	Airport	Water Resources	Wastewater	School Enterprise	Total
Cash Flows From Operating Activities:						
Receipts from Customers and Users	\$ 40,748,633	\$ 7,970,849	\$ 4,515,865	\$ 5,531,014	\$ 1,630,620	\$ 60,396,981
Receipts for Interfund Services	0	0	146,489	0	0	146,489
Other Receipts	1,420,958	0	0	0	0	1,420,958
Payments to Suppliers	(28,705,961)	(2,972,685)	(1,094,035)	(1,825,518)	(857,053)	(35,455,252)
Payment in Lieu of Taxes	(1,778,420)	0	(299,715)	(1,001,734)	0	(3,079,869)
Payments for Wages and Benefits	(3,124,544)	(1,473,893)	(1,258,896)	(750,855)	(763,233)	(7,371,421)
Payments for Interfund Services	0	(1,090,812)	(309,561)	(464,607)	0	(1,864,980)
Net Cash Provided by Operating Activities	8,560,666	2,433,459	1,700,147	1,488,300	10,334	14,192,906
Cash Flows From Noncapital Financing Activities:						
Operating Grant Income	0	267,989	0	0	0	267,989
Operating Grant Expenses	0	(109,662)	0	0	0	(109,662)
Transfer from/(to) Other Funds	0	0	0	0	54,651	54,651
Interest Paid on Miscellaneous Items	(10,893)	0	0	0	0	(10,893)
Net Cash Provided/(Used) by Noncapital Financing Activities	(10,893)	158,327	0	0	54,651	202,085
Cash Flows From Capital and Related Financing Activities:						
Proceeds from Bonds, Notes & Leases Payable	0	24,800,000	0	2,736	0	24,802,736
Proceeds from Sale of Land	215,000	0	0	0	0	215,000
Acquisition and Construction of Capital Assets	(3,031,004)	(6,467,186)	(953,592)	(135,314)	(55,748)	(10,642,844)
Grant Income	0	2,128,120	0	0	0	2,128,120
Passenger Facility Charges	0	1,400,909	0	0	0	1,400,909
Net Cost Associated with Bond Refinancing	0	(389,720)	0	0	0	(389,720)
Principal Paid on:						
General Obligation Bonds	(325,067)	(250,000)	(13,000)	(950,000)	0	(1,538,067)
Revenue Bonds	0	(1,030,000)	(835,000)	(102,289)	0	(1,967,289)
Capital Lease Obligations	(3,691)	0	(26,860)	(68,310)	0	(98,861)
Interest Paid on:						
General Obligation Bonds	(96,350)	(26,700)	(1,523)	(129,358)	0	(253,931)
Revenue Bonds	(3,572,159)	(1,519,164)	(535,980)	(21,969)	0	(5,649,272)
Capital Lease Obligations	0	0	(2,192)	(5,791)	0	(7,983)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(6,813,271)	18,646,259	(2,368,147)	(1,410,295)	(55,748)	7,998,798
Cash Flows From Investing Activities:						
Net (Additions)/Reductions to Restricted Cash and Investments	(4,229,284)	(22,132,575)	0	0	0	(26,361,859)
Sale/(Purchase) of Investments	284,083	0	0	0	0	284,083
Reduction of Investment in Associated Companies	(16,808)	0	0	0	0	(16,808)
Other Income/Deductions, Net	1,053,435	0	0	0	0	1,053,435
Receipt of Interest & Dividends	615,685	39,995	26,243	12,180	0	694,103
Net Cash Provided/(Used) by Investing Activities	(2,292,889)	(22,092,580)	26,243	12,180	0	(24,347,046)
Net Increase/(Decrease) in Cash	(556,387)	(854,535)	(641,757)	90,185	9,237	(1,953,257)
Cash - July 1, 2002	2,658,285	3,661,085	1,506,437	(632,722)	223,716	7,416,801
Cash - June 30, 2003	\$ 2,101,898	\$ 2,806,550	\$ 864,680	\$ (542,537)	\$ 232,953	\$ 5,463,544
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Operating Income/(Loss)	3,718,214	(954,857)	972,239	56,641	14,199	3,806,436
Depreciation and Amortization	3,365,000	3,181,941	678,568	1,515,302	31,695	8,772,506
(Increase)/Decrease in Accounts Receivable	462,324	(83,119)	(6,350)	62,104	(20,206)	414,753
(Increase)/Decrease in Unbilled Revenues	14,354	(91,111)	(79,694)	(74,942)	0	(231,393)
(Increase)/Decrease in Inventory	(612,285)	28,456	4,256	(17,068)	993	(595,648)
Increase/(Decrease) in Accounts Payable	79,856	329,067	112,437	(29,556)	(15,267)	476,537
Increase/(Decrease) in Other Operating Assets/Liabilities	1,533,203	23,082	18,691	(24,181)	(1,080)	1,549,715
Net Cash Provided by Operating Activities	\$ 8,560,666	\$ 2,433,459	\$ 1,700,147	\$ 1,488,300	\$ 10,334	\$ 14,192,906

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	Pension Trust Fund	Private Purpose Trust funds	Agency Fund - Student Activities
<u>ASSETS</u>			
Cash	\$ (68,924)	\$ 35,639	\$ 192,223
Investments	85,427,591	167,644	0
Accrued Interest Receivable	487,555	0	0
Due from Other Funds	<u>7,923</u>	<u>0</u>	<u>0</u>
Total Assets	<u>85,854,145</u>	<u>203,283</u>	<u>192,223</u>
<u>LIABILITIES</u>			
Accounts Payable	110,758	0	0
Accrued Liabilities	282,122	0	0
Compensated Absences	9,193	0	0
Due to Student Organizations	<u>0</u>	<u>0</u>	<u>192,223</u>
Total Liabilities	<u>402,073</u>	<u>0</u>	<u>192,223</u>
<u>NET ASSETS</u>			
Held in Trust For:			
Employees' Pension Benefits	85,452,072	0	0
Individuals and Organizations	<u>0</u>	<u>203,283</u>	<u>0</u>
Total Net Assets	<u>\$ 85,452,072</u>	<u>\$ 203,283</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>		
Contributions:		
Employer	\$ 3,419,744	\$ 0
Plan Members	590,661	0
Total Contributions	<u>4,010,405</u>	<u>0</u>
Investment Earnings:		
Interest and Dividends	2,520,959	5,181
Net Decrease in the Fair Value of Investments	<u>(2,108,781)</u>	<u>0</u>
Total Investment Earnings	412,178	5,181
Less Investment Expense	<u>529,429</u>	<u>0</u>
Net Investment Earnings	<u>(117,251)</u>	<u>5,181</u>
Total Additions	<u>3,893,154</u>	<u>5,181</u>
<u>DEDUCTIONS:</u>		
Benefits - Pension	4,917,693	0
Benefits - FICA	1,968,649	0
Benefits - Post Employment Health	26,270	0
Refunds of Contributions	62,137	0
Administrative Expenses	272,294	0
Educational	<u>0</u>	<u>2,850</u>
Total Deductions	<u>7,247,043</u>	<u>2,850</u>
Change In Net Assets	(3,353,889)	2,331
Net Assets - July 1, 2002	<u>88,805,961</u>	<u>200,952</u>
Net Assets- June 30, 2003	<u>\$ 85,452,072</u>	<u>\$ 203,283</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Incorporated in 1865, the City of Burlington operates under a tripartite system of government with the Mayor serving as Chief Executive, the City Council as the legislative body and the Commissioners as the primary policy makers within their respective departments. The City Charter authorizes the provision for the following services for the residents of the City: general administration, safety, public works, human services, utilities and education.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the City of Burlington (the “City”) conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the funds of the City of Burlington, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization’s governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The Burlington Community Development Corporation is the only entity that meets this definition and, as a discretely presented component unit, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. Excluded are organizations such as the Chittenden County Transportation Authority, Burlington Housing Authority, Chittenden County Government, the Winooski Valley Park District, the Burlington City Arts Foundation, and the Chittenden Solid Waste District, since after considering all factors related to oversight responsibility, the City has concluded they are not part of the reporting entity.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

The Burlington Community Development Corporation's primary purpose is to carry out the industrial and economic development of the City of Burlington, including specifically the development of businesses located, or to be located, on lands owned by the City of Burlington at the Burlington International Airport. As such, the purposes of the Corporation shall include fostering, encouraging and assisting the physical location of business enterprises in the Greater Burlington area and otherwise fulfilling the purposes of a "local development corporation". The Board of Directors of the Burlington Community Development Corporation must be members of the City of Burlington's Board of Finance.

B. Basis of Presentation

The accounts of the City are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the City include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the City as a whole and present a longer-term view of the City's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the City and present a shorter-term view of how operations were financed and what remains available for future spending.

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government, the City, and its component unit, the Burlington Community Development Corporation. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each segment of the City's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports on the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

School Department Fund – This Fund accounts for all of the governmental activity of the Burlington School Department.

The City reports on the following major enterprise funds:

Airport – This fund accounts for the operations of the Burlington International Airport.

Electric Utility – This fund accounts for the operations of the Burlington Electric Department.

Water Resources – This fund accounts for the operations of the Department of Public Works - Water Division.

Wastewater – This fund accounts for the operations of the Department of Public Works- Wastewater Division.

School Enterprises – This fund accounts for the operations of the cafeterias of the Burlington School Department and the Adult Education, Vocational Education and other self sufficient programs.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Additionally, the City reports the following fund types:

Private-Purpose Trust Funds - These funds are used to report trust arrangements under which resources are to be used for the benefit of firemen injured in the line of duty, Christmas gifts for servicemen overseas, Christmas dinners for the destitute and student educational expenses and scholarships. All investment earnings, and in some cases, the principal of these funds may be used to support these activities.

Pension Trust Fund – This fund accounts for monies contributed by the City and its employees and the income on investments expended for the pensions of retired City employees. This fund is supported by a dedicated tax rate and charges to revenue departments. Finally, this fund also pays for the FICA costs for the City’s employer’s share of FICA.

Agency Fund – This fund accounts for monies maintained for various student groups at the Burlington High School.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net assets). Fund equity (i.e., net total assets) is segregated into investment in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources, and are segregated into reserved and unreserved fund balances. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spending resources during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues reported in governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences, self-insured health and dental benefits, reserves for property and casualty and workers' compensation claims, landfill post-closure costs, and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred revenue is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

The government-wide and proprietary fund financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the City has elected not to apply FASB Standards issued after November 30, 1989.

The Electric Department is also subject as to rates, accounting and other matters, to the regulatory authority of the State of Vermont Public Service Board and the Federal Energy Regulatory Commission. In accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulations", the Electric Department records certain assets and liabilities in accordance with the economic effects of the rate making process.

Statement of Financial Accounting Standards No. 107 "Disclosure about the Fair Value of Financial Instruments," requires disclosures of the fair value of certain financial statements. Recorded amounts for cash, accounts receivable, accounts payable, and investments approximate fair value.

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities and Equity

1. Cash

Cash balances of most City funds are pooled and invested by the City Treasurer. Excess cash withdrawals of individual funds are shown as negative cash balances. The City considers all short-term investments of ninety (90) days or less to be cash equivalents.

The City engages in repurchase agreement transactions as part of its cash management programs. Under the terms of a typical repurchase agreement, the City takes possession of an underlying debt obligation, subject to an obligation of the seller to repurchase, and the City to resell the obligation at an agreed-upon price and time, thereby determining the yield during the City's holding period. The value of the collateral is at least equal at all times to the total amount of the repurchase obligations, including interest. In the event of counter-party default, the City has the right to use the collateral to offset losses incurred. There is potential loss to the City in the event the City is delayed or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period the City seeks to assert its rights.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

2. Investments

The City invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

Accounts receivable are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (for the current portion of the interfund loans) or "advances to/from other funds" (for the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

The City is responsible for assessing and collecting its own property taxes, as well as state property taxes for the School. Property taxes are assessed based on property valuations as of April 1 annually. Taxes are collected four (4) times per year. During the tax year ended June 30, 2003, taxes became due and payable on August 12, 2002, November 12, 2002, March 12, 2003 and June 12, 2003. Taxes unpaid after each due date are considered to be late, and are subject to 1% interest added on the next day, an additional 4% interest added after the tenth (10th) day late and an additional 1% per month thereafter. Taxes unpaid ten (10) days after the June due date are delinquent, and are subject to an 8% penalty, and interest calculated at twelve percent (12%). Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale.

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2003

The amount of taxes the City may levy is subject to charter limitations. These limits and the rates assessed for 2002-2003 are as follows:

<u>Category</u>	<u>Charter Limits</u>	<u>Rate per \$100 of Assessed Value</u>
General City	\$0.3838	\$.3838
Police/Fire	0.1242	.1242
Highways (charter-prescribed minimum)	0.0242	.0262
Parks (charter-prescribed minimum)	0.0100	.0200
County Tax	Actual	.0073
General Long-Term Debt Retirement & Interest	Actual	.1137
Retirement Contribution	Actual	.0978
Chittenden County Transportation Authority	Actual	.0536
Streets-Special	0.0771	.0771
Housing Trust Fund	0.0100	.0100
Library Tax	0.0050	<u>.0050</u>
City Total		.9187
 Schools	 Actual	 <u>1.6287</u>
 Total Tax Rate		 <u>\$2.5474</u>

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2003

Those limits specified may be exceeded only if authorized by the voters, except for Parks and Highways which have no maximum charter limit. Property taxes levied were calculated as follows:

<u>Tax Category</u>	<u>Amount</u>
School Department Taxes:	
Appraised Valuation	
Real Estate	1,649,597,800
Less: Tax Increment Exemption	(25,055,196)
Less: Veteran's Exemption	(1,420,000)
Personal Property – Cable	2,156,300
	2,156,300
 Total Appraised Valuation	 1,625,278,904
 Property Tax Revenue	
Basis (1% of Valuation)	16,252,789
Tax Rate	1.6287
Property Taxes Assessed	26,470,918
Plus: Grand List Adjustments and Reconciling Items	(187,132)
Total School Taxes Assessed	26,283,786
 City Taxes:	
Appraised Valuation	
Real Estate	1,649,597,800
Plus: 120% Classification	73,714,820
Less: Veteran's Exemption	(1,420,000)
Total Appraised Valuation	1,721,892,620
Real Property Tax Revenue	
Basis (1% of Valuation)	17,218,926
Tax Rate	.9187
Real Property Taxes Assessed	15,819,027
Less: Grand List Adjustments and Reconciling Items	(187,132)
Total City Real Taxes Assessed	15,631,895

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Personal Property Appraised Valuation	
Cable	2,156,300
Other Personal Property	125,212,300
Plus: 120% Classification	25,042,460
Total Appraised Valuation	152,411,060
Personal Property Tax Revenue	
Basis (1% of Valuation)	1,524,111
Tax Rate	.9187
Personal Property Taxes Assessed	1,400,201
Plus: Grand List Adjustments and Reconciling Items	(24,485)
Total City Personal Property Taxes Assessed	1,375,716

Summary:

Total Property Taxes Assessed	
School	26,283,786
City Real	15,631,895
City Personal	1,375,716
Total Property Taxes Assessed	43,291,397
Less: Current Collections	42,607,520
Delinquent Taxes	683,877
Percentage of current tax collections to total levies	98.42%

The City had to send \$26,495,644 in tax revenues to the School District and State of Vermont for education purposes based on the State's funding formula.

The City also assessed a \$.12 tax levy on the commercial values of properties within the "Downtown Improvement District" to assist in funding two hours of free parking in the downtown garages. The City assessed \$246,116 in taxes and collected \$243,783.

The City, through various state and federal grants, has extended loans for the development or rehabilitation of residential and commercial properties within the City and small business loans for new Burlington businesses. The repayment terms of these loans and interest rates all vary and are contingent on numerous factors outside of the control of the City, such as the financial viability of the projects. It is the City's policy to recognize the grant revenues when the loans are repaid. These loans amounted to \$14,052,000 less an allowance for doubtful loans of \$3,562,147 and loan discounts of \$1,358,256 in the Governmental Activities.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

The Electric Departments has Notes Receivable totaling \$2,864,599 which are due from other City departments for retrofit lighting projects and electrical upgrades, the Winooski One Partnership for engineering, the City of Burlington for the sale of the Moran Building, New England Central Rail to assist in financing rail improvements and other entities for demand side management projects.

Burlington Community Development Corporation has loaned funds to the Burlington Community Land Trust. The balance of the loans at June 30, 2003 is \$1,526,065 and will be repaid at the same terms as the offsetting notes payable.

4. Inventories and Prepaid Items

Inventory quantities are determined by physical count and are valued at the lower of cost or market on a weighted average cost basis. Inventories in the Proprietary Funds consist of fuel and materials. Inventories in the Governmental Funds consist of expendable supplies held for consumption. Reported inventories of governmental funds in the fund financial statements are offset by a fund balance reserve which indicates that they do not constitute "available expendable resources" even through they are a component of net current assets.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid items.

5. Restricted Assets

The Water Resources, Airport and Electric Departments have issued revenue bonds and imposed connection fees for the construction of various projects. In accordance with the respective bond resolution, certain restricted funds must be established to be used for debt service reserves and renewal and replacement. These funds and the construction funds have been classified as Restricted Assets.

6. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2003

The Electric Department has recorded its ownership in jointly owned facilities as capital assets. The associated operating costs allocated to the Electric Department are classified in their respective expense categories. The Electric Department's ownership interest in each of the jointly-owned facilities is as follows: McNeil Station - 50.00%; Highgate Converter Station - 7.70%.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight line method of calculating depreciation. The Electric Department depreciates the McNeil & Highgate Converter Stations using the sinking fund method. Under this method, yearly depreciation is equal to the recovery through rates of the principal payment related to the debt issued for the construction of the stations. The excess of straight-line depreciation over the sinking fund method is \$633,975 for the year and is deferred to future years to be recovered through rates. The total deferred depreciation at June 30, 2003 was \$12,934,391.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land Improvements	\$25,000	30 Years
Buildings and Building Improvements	50,000	25-150 Years
Vehicles, Machinery, Equipment and Furniture	5,000	5 -15 Years
Book Collections	1,000	5 Years
Roads, Curbs and Sidewalks	250,000	10-40 Years

Capital assets are not reported in the governmental fund type financial statements. Capital outlays in these funds are recorded as expenditures in the year they are paid.

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and comp time pay and vested unpaid sick time. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences time is not reported in the governmental fund type financial statements. Payments for unused compensated absences time are recorded as expenditures in the year they are paid.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

8. Accrued Landfill Closure/Postclosure Costs

The City of Burlington has closed two landfills over the past several years. The City's landfill at Manhattan Drive was closed on December 31, 1989. At that time, the City opened a lined landfill on property owned by the Rathe family in Colchester, Vermont. This landfill was considered to be full and was closed in 1992. At that time, the City's landfill needs were taken over by the Chittenden Solid Waste District. Funds held in reserve to cover closure costs have been expended but certain post closure costs and commitments remain. The amount needed to fund all future post closure costs as of today is estimated to be \$160,000. Actual payments will take place through the year 2012.

State and federal laws and regulations required the City to perform certain maintenance and monitoring functions at the sites for twenty (20) years after closure. Actual costs may vary due to changes in technology, changes in regulations or variances between actual and estimated.

9. Liabilities to be Paid from Restricted Assets

The balance in these liabilities represent accrued interest payable on the Revenue Bonds. The restricted assets will be used for additional construction of certain assets, including certain costs in accounts and contracts payable.

10. Long-term Liabilities

Long-term liabilities include bonds and notes payable, and capital leases payable. Long-term liabilities also include other obligations such as insurance reserves, compensated absences and postemployment benefits. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund type financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

11. Fund Equity

Fund balances and retained earnings are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Reservations of fund balances and retained earnings represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Designations of fund balance represent tentative management plans that are subject to change. Undesignated funds are available for future appropriations.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

12. Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded. To the extent that transactions represent lending/borrowing arrangements between funds, these are referred to as Interfund loans receivable/payable.

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds for the sale of capital assets as revenue, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue.

Long-term debt transaction differences arise because governmental funds report bond proceeds and principal payments as other financing sources and uses, whereas government-wide statements report those transactions as increases and decreases in liabilities.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

A. Governmental Funds Balance Sheet and the Statement of Net Assets

The differences between the governmental funds balance sheet and government-wide statement of net assets are as follows:

	Balance Sheet	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Elimination of Interfund Balances	Statement of Net Assets
ASSETS						
Cash and Cash Equivalents	\$ 4,225,172	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,225,172
Investments	3,517,396	0	0	0	0	3,517,396
Receivables						
Taxes Receivable	1,762,433	0	0	0	0	1,762,433
Accounts Receivable	7,721,093	0	0	0	0	7,721,093
Notes Receivable	9,131,597	0	0	0	0	9,131,597
Accrued Interest Receivable	3,057,256	0	0	0	0	3,057,256
Due From Other Governments	266,500	0	0	0	0	266,500
Due From Other Funds	8,178	0	0	0	(8,178)	0
Interfund Loan Payable	(242,593)	0	0	0	0	(242,593)
Inventories	353,817	0	0	0	0	353,817
Other Current Assets	612,983	0	0	0	0	612,983
Other Long-Term Assets	0	0	0	110,266	0	110,266
Capital Assets	0	0	74,392,360	0	0	74,392,360
Total Assets	30,413,832	0	74,392,360	110,266	(8,178)	104,908,280
LIABILITIES						
Accounts Payable	6,909,068	0	0	0	0	6,909,068
Accrued Payroll and Benefits Payable	595,092	0	0	0	0	595,092
Accrued Compensated Absences Payable	104,128	3,684,796	0	0	0	3,788,924
Accrued Interest Payable	0	236,466	0	0	0	236,466
Due to Other Funds	11,853	0	0	0	(8,178)	3,675
Deferred Revenue	19,646,560	(18,042,480)	0	0	0	1,604,080
Insurance Reserves	350,000	1,409,000	0	0	0	1,759,000
Noncurrent Liabilities	0	236,205	0	41,568,887	0	41,805,092
Total Liabilities	27,616,701	(12,476,013)	0	41,568,887	(8,178)	56,701,397
NET ASSETS						
Invested in Capital Assets	0	0	74,392,360	(38,825,646)	0	35,566,714
Other	2,797,131	12,476,013	0	(2,632,975)	0	12,640,169
Total Net Assets	\$ 2,797,131	\$ 12,476,013	\$ 74,392,360	\$ (41,458,621)	\$ 0	\$ 48,206,883

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

B. Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

The differences between the governmental funds statement of revenues, expenditures and changes in fund balances and government-wide statement of activities are as follows:

	Statement of Revenue, Expenditures and Changes in Fund Balances	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Reclassifications and Elimination of Interfund Activity	Statement of Activities
REVENUES						
Taxes	\$ 22,804,074	\$ (8,480)	\$ 0	\$ 0	\$ 0	22,795,594
PILOT	3,286,426	0	0	0	(1,804,904)	1,481,522
Licenses and Permits	4,125,795	0	0	0	0	4,125,795
Intergovernmental Revenues	42,361,512	1,006,919	0	0	(472,297)	42,896,134
Charges for Services	11,858,172	(78,867)	0	0	(1,918,262)	9,861,043
Fines and Forfeits	1,212,932	(17,620)	0	0	0	1,195,312
Investment Income	121,795	295,947	0	107	91,726	509,575
Other Revenues	3,544,270	0	41,475	0	(1,385,518)	2,200,227
Other Sources:						
Proceeds of Debt and						
Lease Financing	7,319,546	0	0	(7,319,546)	0	0
Bond Premium	44,589	0	0	(44,589)	0	0
Transfers from Other Funds	1,032,065	0	0	0	1,615,378	2,647,443
Total Revenues	97,711,176	1,197,899	41,475	(7,364,028)	(3,873,877)	87,712,645
EXPENDITURES						
General Government	10,428,802	(9,869)	542,401	(279,354)	(868,899)	9,813,081
Safety Services	11,951,973	151,525	165,659	(149,594)	0	12,119,563
Public Works	7,253,173	(98,754)	2,336,318	(244,249)	(1,918,262)	7,328,226
Culture and Recreation	5,290,881	(11,224)	967,123	(151,980)	0	6,094,800
Community Development	7,388,791	(41,462)	(2,002,214)	(4,328)	0	5,340,787
Education	39,458,884	(64,955)	70,802	(79,504)	0	39,385,227
Capital Expenditures	10,204,479	0	(10,002,501)	(201,978)	0	0
Debt Service:						
Principal	2,811,336	0	0	(2,811,336)	0	0
Interest	1,558,574	88,644	0	234,343	0	1,881,561
Bond Issue Costs	113,639	0	0	(113,639)	0	0
Other Uses:	0					
Transfers to Other Funds	1,086,716	0	0	0	(1,086,716)	0
Total Expenditures	97,547,248	13,905	(7,922,412)	(3,801,619)	(3,873,877)	81,963,245
Net Change for the Year	\$ <u>163,928</u>	\$ <u>1,183,994</u>	\$ <u>7,963,887</u>	\$ <u>(3,562,409)</u>	\$ <u>0</u>	<u>5,749,400</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements for the General Fund:

1. Departments, and departments with commission approval, prepare through the labor/management process, detailed recommendations to the Mayor on the budget. Prior to June 15, the Mayor, with the assistance of the other members of the Board of Finance, prepares and submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimated revenues.
2. Prior to July 1, the budget is legally enacted through passage of a resolution of the City Council.
3. The Mayor may propose, with the advice of the Board of Finance, amendments to the budget. Such proposed amendments require a majority approval of the City Council. The amount of such proposed amendments may be decreased by a simple majority vote of the City Council. Such proposed amendments may be increased above the level proposed by the Mayor only with a two-thirds vote of the City Council.
4. The Board of Finance is authorized to transfer budgeted amounts between line items within an appropriation account or within accounts of a department. Any revisions which increase the total expenditures of any department function or fund above the original appropriation must be approved by resolution of the City Council.
5. That portion of the designated fund balance that consists of operating and capital improvement carry-overs, represents unexpended appropriations which are allowed to be carried over to later years as provided for by City Charter or by resolution of the City Council. All other unexpended appropriations lapse at the close of the fiscal year. The City Charter specifically prohibits expenditures in excess of appropriations except on an emergency basis for health, police, fire and public welfare.
6. The City elected to budget expenditures in excess of revenues by \$414,798 in order to utilize the prior year's surplus. This is reflected as a current year deficiency of revenue over expenditures in Exhibit F for the General Fund.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

The City follows these procedures in establishing the budgetary data reflected in the financial statements for the School Department General Fund:

1. In December, the Superintendent submits recommendations based upon the budget prioritization team spending priority list to the School Board. The operating budget includes proposed expenditures and estimated revenues.
2. In December, public hearings are conducted to obtain taxpayer comments and the budget is formally approved by the School Board in January.
3. Any tax increase requested by the School Board must be submitted to the City Council during the first week of January so that they can put it on the March ballot.
4. The School Board is authorized to transfer budgeted amounts between line items; however, any revisions that alter the total expenditures in excess of total revenues plus budgeted fund balance designated for subsequent years' expenditures must be authorized by the legal voters of the City.
5. The budget that is adopted is only for the School's "General Fund". Budgets for the School's Special Revenue Funds were not formally adopted for the year ended June 30, 2003.
6. The School elected to budget expenditures in excess of revenues by \$255,285 in order to utilize the prior year's surplus. This is reflected as current year deficiency of revenue over expenditures in Exhibit F for the School General Fund.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in any fund in the City.

B. Budgetary/GAAP Reconciliation

The following schedule reconciles the amounts on the School "General Fund" Statement of Revenues and Expenditures – Budget and Actual to the amounts on the Statement of Revenues, Expenditures and Changes in Fund Balance for the School Fund:

Changes in Fund Balances – Budgetary Basis –	
Exhibit F	\$ 337,395
Excess/(Deficiency) of Revenues Over	
Expenditures in Other School Special	
Revenue Funds	<u>(88,465)</u>
Change in Fund Balances – GAAP Basis –	
Exhibit D	<u>\$ 248,930</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

C. Excess of Expenditures over Appropriations

For the year ended June 30, 2003, expenditures in the School "General Fund" exceeded appropriations by \$371,148. These overexpenditures were funded by additional unanticipated revenues and available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's investments are categorized below to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered or for which the securities are held in the City's name. Category 2 includes uninsured and unregistered investments for which securities are held by a counter-party's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a counter-party, or by its trust department or agent, but not in the City's name.

An analysis of the City's investments by category at June 30, 2003 is as follows:

<u>Investment Type</u>	<u>Category</u>			<u>Fair Value</u>
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	
U.S. Government Securities	\$20,993,947	\$ 0	\$ 0	\$20,993,947
Corporate Bonds	15,851,855	0	0	15,851,855
Common Stocks	57,478,929	0	0	57,478,929
Venture Capital Investments	0	29,651	0	29,651
Loans	15,000	0	0	15,000
U.S. Treasury Bonds	6,000	0	0	6,000
Cash Equivalents that are invested in Mortgaged backed securities and U.S.				
Government Obligations	36,351,937	0	1,262,161	37,614,098
Certificates of Deposit	<u>1,128,210</u>	<u>0</u>	<u>0</u>	<u>1,128,210</u>
 Total Investments				 <u>\$133,117,690</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

An analysis of the City's deposits is as follows:

<u>Deposit Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured – FDIC/NCUA	\$1,124,379	\$1,124,538
Uninsured, Uncollateralized – Secured by Treasury Note Repurchase Agreements Held in the Bank’s Name	6,464,131	8,591,664
Uninsured, Collateralized by Bank Agreement	2,048,645	2,179,091
Uninsured, Uncollateralized	1,156,478	1,164,320
Cash on Hand	<u>182,231</u>	N/A
Total Deposits	<u>\$10,975,864</u>	<u>\$13,059,613</u>

Deposits with banks is comprised of the following:

Cash	9,847,654
Certificates of Deposit	<u>1,128,210</u>
Total	<u>10,975,864</u>

The difference between the carrying amount and the bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amounts of uninsured, uncollateralized cash was much higher than at year end. \$470,365 of the uninsured, uncollateralized cash could be offset by debt at the same bank.

Burlington Community Development Corporation’s cash in the amount of \$27,385 is included with the City’s pooled cash that is uninsured, uncollateralized – secured by treasury note repurchase agreements held in the bank’s name. The remaining \$55,722 was fully insured by FDIC. There were no reconciling items.

B. Restricted Cash, Investments and Other Assets

The Water Resources, Airport and Electric Departments have issued revenue bonds and imposed connection fees for the construction of various projects. In accordance with the respective bond resolution, certain restricted funds must be established to be used for debt service reserves and renewal and replacement. These funds and the construction funds have been classified as Restricted Assets. These amounts are included in the Deposits and Investments in Note IV. A.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

A summary of the restricted cash, investments, and other assets is as follows:

<u>Category</u>	<u>Airport</u>	<u>Electric Department</u>	<u>Water Resources</u>	<u>Total</u>
Debt Service Reserve Funds Renewal & Replacement Funds	\$ 902,304	\$ 8,321,111	\$ 1,112,175	\$ 10,335,590
Construction Funds	0	867,392	160,000	1,027,392
Debt Service Funds	23,304,572	391,053	0	23,695,625
Accrued Interest Receivable	737	5,990,594	0	5,991,331
	0	136,511	0	136,511
Total	<u>\$24,207,613</u>	<u>\$15,706,661</u>	<u>\$1,272,175</u>	<u>\$41,186,449</u>

C. Accounts Receivable

Accounts receivable at year end, as reported in the statement of net assets, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Taxes Receivable	\$ 2,152,433	\$ 0	\$ 2,152,433
PILOT	47,440	0	47,440
User Charges Receivable	54,929	5,734,477	5,789,406
Allowance for Doubtful Taxes/Fees	(390,000)	(354,372)	(744,372)
Police, Fire and Ambulance Fees Receivable	1,299,356	0	1,299,356
Allowance for Doubtful Accounts - Police, Fire and Ambulance	(784,000)	0	(784,000)
Public Works Receivables	190,217	0	190,217
Recreation Fees Receivable	188,198	0	188,198
Traffic Fees Receivable	41,556	0	41,556
Marketplace Fees Receivable	21,920	0	21,920
Project Reimbursements Receivable	1,291,252	0	1,291,252
Grants Receivable	4,808,362	3,944,573	8,752,935
Other Receivables	561,863	0	561,863
Notes and Loans Receivable	14,052,000	2,864,599	16,916,599
Loan Discounts	(1,358,256)	0	(1,358,256)
Allowance for Doubtful Loans	(3,562,147)	0	(3,562,147)
Accrued Interest Receivable Loans	3,047,896	0	3,047,896
Accrued Interest Receivable - Banks	9,360	10,425	19,785
Total	<u>\$ 21,672,379</u>	<u>\$ 12,199,702</u>	<u>\$ 33,872,081</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

The City has established allowances for doubtful accounts in each fund in which there is a history of bad debts.

Taxes receivable consisted of the following at June 30, 2003:

<u>Year Ended</u>	<u>Balance 7/1/02</u>	<u>Additions</u>	<u>Adjustments/ Abatements</u>	<u>Collections</u>	<u>Balance 6/30/03</u>
1985-1990	35,430	0	0	0	35,430
1991	13,070	0	0	0	13,070
1992	9,064	0	0	0	9,064
1993	12,548	0	0	0	12,548
1994	15,662	0	0	3,032	12,630
1995	24,016	0	0	2,576	21,440
1996	26,247	0	882	383	24,982
1997	35,311	0	970	4,437	29,904
1998	48,309	0	281	8,177	39,851
1999	56,712	0	0	7,824	48,888
2000	112,948	0	419	47,234	65,295
2001	237,191	0	9,704	92,562	134,925
2002	673,134	0	27,021	446,261	199,852
2003	0	683,876	0	0	683,876
Total	1,299,642	683,876	39,277	612,486	1,331,755

Also included in taxes receivable are \$317,022 in gross receipts taxes, \$500,128 of delinquent tax penalties and interest and \$3,528 of Downtown Improvement District Taxes.

D. INVESTMENTS IN ASSOCIATED COMPANIES

The Electric Department follows the cost method of accounting for its 3.6% ownership interest in Vermont Yankee Nuclear Power Corporation ("Vermont Yankee"); its 4.52% ownership interest in Vermont Electric Power Company, Inc. ("VELCO"); and its 7.464% ownership interest in Vermont Electric Transmission Company ("VETCO"), which is a subsidiary of VELCO. Vermont Yankee operates a single unit nuclear generating facility in Vernon, Vermont, and sells the output of the plant to the Electric Department and other owners. VELCO owns and operates a transmission system in the State of Vermont over which bulk power is delivered to all electric utilities in the State of Vermont. Under a power transmission contract with the State of Vermont, VELCO bills all costs, including amortization of its debt and a fixed return on equity, to the State of Vermont and others using the system.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

E. Capital Assets

Capital asset activity for the year ended June 30, 2003, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 14,624,001	\$ 2,015,000	\$ 9,275	\$ 16,629,726
Construction in Progress	7,637,214	1,767,476	6,127,213	3,277,477
Antiques and Works of Art	52,000	0	0	52,000
Total Capital Assets, Not Being Depreciated	<u>22,313,215</u>	<u>3,782,476</u>	<u>6,136,488</u>	<u>19,959,203</u>
Capital Assets, Being Depreciated:				
Land Improvements	125,000	0	0	125,000
Buildings and Building Improvements	45,310,012	5,148,480	0	50,458,492
Vehicles, Machinery, Equipment and Furniture	12,841,270	4,154,231	688,644	16,306,857
Book Collections	2,152,229	91,870	9,377	2,234,722
Roads, Curbs and Sidewalks	1,853,797	4,024,778	0	5,878,575
Totals	<u>62,282,308</u>	<u>13,419,359</u>	<u>698,021</u>	<u>75,003,646</u>
Less accumulated depreciation for:				
Land improvements	125,000	0	0	125,000
Buildings and Building Improvements	9,953,474	654,798	0	10,608,272
Vehicles, Machinery, Equipment and Furniture	6,995,173	1,687,963	517,656	8,165,480
Book Collections	1,050,617	398,963	9,377	1,440,203
Roads, Curbs and Sidewalks	42,893	188,641	0	231,534
Totals	<u>18,167,157</u>	<u>2,930,365</u>	<u>527,033</u>	<u>20,570,489</u>
Total Capital Assets, Being Depreciated	<u>44,115,151</u>	<u>10,488,994</u>	<u>170,988</u>	<u>54,433,157</u>
Governmental Activity Capital Assets, Net	<u>\$ 66,428,366</u>	<u>\$ 14,271,470</u>	<u>\$ 6,307,476</u>	<u>\$ 74,392,360</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 10,886,178	\$ 1,205,623	\$ 0	\$ 12,091,801
Construction in Progress	1,051,983	5,282,538	3,166,528	3,167,993
Total Capital Assets, Not Being Depreciated	<u>11,938,161</u>	<u>6,488,161</u>	<u>3,166,528</u>	<u>15,259,794</u>
Capital Assets, Being Depreciated:				
Land Improvements	27,437,071	2,053,145	0	29,490,216
Buildings and Building Improvements	40,571,226	1,303,298	0	41,874,524
Vehicles, Machinery, Equipment and Furniture	15,882,847	466,068	117,727	16,231,188
Distribution and Collection Systems	165,377,933	4,653,040	498,299	169,532,674
Totals	<u>249,269,077</u>	<u>8,475,551</u>	<u>616,026</u>	<u>257,128,602</u>
Less Accumulated Depreciation for:				
Land Improvements	13,404,921	1,285,384	0	14,690,305
Buildings and Building Improvements	10,856,293	1,555,740	0	12,412,033
Vehicles, Machinery, Equipment and Furniture	6,980,320	867,096	117,727	7,729,689
Distribution and Collection Systems	73,597,806	4,543,615	486,645	77,654,776
Totals	<u>104,839,340</u>	<u>8,251,835</u>	<u>604,372</u>	<u>112,486,803</u>
Total Capital Assets, Being Depreciated	<u>144,429,737</u>	<u>223,716</u>	<u>11,654</u>	<u>144,641,799</u>
Business-Type Activity Capital Assets, Net	<u>\$ 156,367,898</u>	<u>\$ 6,711,877</u>	<u>\$ 3,178,182</u>	<u>\$ 159,901,593</u>

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2003

E. Capital Assets (continued)

At June 30, 2003, \$7,500,583 and \$487,277 in assets were acquired through outstanding capital leases for governmental and business type activities, respectively. These assets are included in vehicles, machinery, equipment and furniture. The amortization on these assets is included with depreciation.

Depreciation was charged to programs as follows:

Governmental Activities:

General Government	134,722
Safety Services	643,805
Public Works	555,063
Community Development	21,577
Culture and Recreation	706,435
Education	<u>868,763</u>

Total Depreciation Expense – Governmental Activities	<u>2,930,365</u>
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Business – Type Activities:

Electric	2,982,506
Airport	3,068,628
Water	658,614
Wastewater	1,510,392
School	<u>31,695</u>

Total Depreciation Expense – Business – Type Activities	<u>8,251,835</u>
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The jointly-owned generating facility, the Joseph C. McNeil Generating Station, is included in the business type capital assets. Under the Agreement for Joint Ownership, Construction and Operation of the Joseph C. McNeil Generating Station dated May 14, 1982, as amended, the owners are tenants in common with undivided interests in the Station. Ownership percentages of the Station as of June 30, 2003 are as follows:

<u>Station</u>	<u>Percentage</u>
Burlington Electric Department	50%
Central Vermont Public Service Corporation	20%
Vermont Public Power Supply Authority	19%
Green Mountain Power Corporation	<u>11%</u>
Total	<u>100%</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

E. Capital Assets (continued)

Under the Agreement for Joint Ownership, Construction and Operation of the Highgate Transmission Interconnection dated August 1, 1984, as amended, the owners of the Highgate Converter and the Highgate-Canada Transmission Line are tenants in common with undivided interests in the converter. Ownership percentages of the converter as of December 31, 2002 are as follows:

<u>Station</u>	<u>Percentage</u>
Central Vermont Public Service Corporation	47.35%
Green Mountain Power Corporation	34.77%
Vermont Public Power Supply Authority	9.36%
Burlington Electric Department	7.70%
Others	<u>.82%</u>
Total	<u>100%</u>

The Electric Department's ownership interest in each of the jointly-owned facilities is as follows: McNeil Station 50.00%, Highgate Converter Station 7.70%.

Burlington Electric Department (BED) has sole responsibility for operation of the McNeil Generating Station. Vermont Electric Power Company, Inc. (VELCO) has sole responsibility for the Highgate Converter.

A summary of the McNeil Generating Station financial statements as of and for the year ended June 30, 2003 and the Highgate Converter as of and for the year ended December 31, 2002 are as follows:

<u>Category</u>	<u>McNeil Generating Station</u>	<u>Highgate Converter</u>
Total Assets	<u>77,091,931</u>	<u>29,502,399</u>
Liabilities	782,106	113,196
Owners' Equity	<u>76,309,825</u>	<u>29,389,203</u>
Total Liabilities and Owners' Equity	<u>77,091,931</u>	<u>29,502,399</u>
Contributions by Joint Owners	15,306,099	1,388,488
Station Operating Expenses	<u>15,021,849</u>	<u>(1,063,485)</u>
Increase (Decrease) in Owners' Equity	284,250	325,003
Owners' Equity Beginning of year	<u>76,025,575</u>	<u>29,064,200</u>
Owners' Equity end of year	<u>76,309,825</u>	<u>29,389,203</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

E. Capital Assets (continued)

Burlington Community Development Corporation owns two buildings. One is at the Burlington Airport with a cost \$650,000 and accumulated depreciation of \$110,704. The other building is at 131 Battery Street in Burlington, Vermont with a cost of \$863,498 and accumulated depreciation of \$54,336. It also owns the land where the old police station building was located and where the Onion River Food Co-op is now located. The land cost \$662,604 and the land improvements at this site cost \$342,548 with accumulated depreciation of \$5,934. The Corporation also has leasehold improvements at this site totaling \$305,810 with accumulated depreciation of \$3,058. The net carrying value of the Corporation's properties are \$2,650,428. The buildings are being depreciated over seventy-five (75) years, the land improvements over sixty (60) years and the leasehold improvements over one-hundred (100) years utilizing the straight line method.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component Unit				
Capital Assets, Not Being Depreciated:				
Land	\$ 662,604	\$ 0	\$ 0	\$ 662,604
Capital Assets, Being Depreciated:				
Buildings	1,513,498	0	0	1,513,498
Land Improvements	342,548	0	0	342,548
Leasehold Improvements	305,810	0	0	305,810
Totals	<u>2,161,856</u>	<u>0</u>	<u>0</u>	<u>2,161,856</u>
Less accumulated depreciation for:				
Leasehold Improvements	1,529	1,529	0	3,058
Buildings	146,092	18,948	0	165,040
Land Improvements	2,854	3,080	0	5,934
Totals	<u>150,475</u>	<u>23,557</u>	<u>0</u>	<u>174,032</u>
Total Capital Assets, Being Depreciated	<u>2,011,381</u>	<u>(23,557)</u>	<u>0</u>	<u>1,987,824</u>
Component Unit Capital Assets, Net	<u>\$ 2,673,985</u>	<u>\$ (23,557)</u>	<u>0</u>	<u>\$ 2,650,428</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

F. Interfund Balances and Activity

The composition of interfund balances at June 30, 2003, is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	8,178	171
Special Revenue Funds		
Traffic Fund	0	3,504
Community Development	0	8,178
Enterprise Funds		
Water Resources	0	2,631
Wastewater	0	1,617
Fiduciary Funds		
Pension Trust Fund	<u>7,923</u>	<u>0</u>
Total	<u>\$16,101</u>	<u>\$16,101</u>

Interfund transfers for the year ended June 30, 2003, were as follows:

<u>Transfer From</u>	<u>Amount</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	\$(260,000)	Traffic Fund	\$260,000	Fund Free Parking
General Fund	(55,540)	CEDO Fund	55,540	Subsidy
General Fund	(187,432)	Housing Trust Fund	187,432	Tax Transfer
General Fund	(11,500)	Marketplace Fund	11,500	Subsidy
General Fund	(29,407)	Tele-communications Fund	29,407	Infrastructure
General Fund	(14,750)	Southern Connector Fund	14,750	Fund Capital Outlay
General Fund	(27,032)	Riverside Ave. Project Fund	27,032	Fund Capital Outlay
General Fund	(11,391)	STP Bike Path Fund	11,391	Fund Capital Outlay
General Fund	(2,499)	Main Street Project Fund	2,499	Fund Capital Outlay
General Fund	(3,007)	N. Winooski Streetscape Fund	3,007	Fund Capital Outlay
General Fund	(125,000)	Firehouse Center Fund	125,000	Fund Capital Outlay
General Fund	(1,718)	Library Heating Upgrade	1,718	Fund Interfund Loan
School General Fund+	(187,157)	Other School Special Revenue Funds	187,157	Subsidy
School General Fund	(54,651)	School Enterprise Fund	54,651	Subsidy
Traffic Fund	(30,000)	CEDO Fund	30,000	Subsidy
Traffic Fund	(64,400)	General Fund	64,400	Subsidy
Cemetery Fund	(21,140)	General Fund	21,140	Fund Cemetery Operations
Loomis Library Fund	<u>(92)</u>	General Fund	<u>92</u>	Fund Library Operations
Total	<u>\$(1,086,716)</u>		<u>\$1,086,716</u>	

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2003

F. Interfund Balances and Activity (Cont'd)

There are two (2) Interfund Loans Receivable/Payable that are owed to the Burlington Electric Department. The CEDO Fund owes \$126,667 for the purchase of land and the Library Heating Upgrade Fund owes \$115,926 for electrical upgrades to the heating system. The total interfund loans are \$242,593.

G. Other Long-Term Assets

The governmental activities other long-term assets, net of accumulated amortization, consist of deferred bond issuance costs of \$110,266 as of June 30, 2003.

The Enterprise Funds' other long-term assets, net of accumulated amortization, consist of the following as of June 30, 2003.

<u>Category</u>	<u>Airport</u>	<u>Electric Dept</u>	<u>Water Resources</u>	<u>Waste-Water</u>	<u>Total</u>
Deferred Bond Issuance Costs	\$1,872,810	\$1,253,019	\$177,466	\$9,819	\$ 3,313,114
Goodwill	105,000	-	-	-	105,000
Deferred Depreciation Expense	-	12,934,391	-	-	12,934,391
Unamortized Demand Side Mgt(DSM)	-	3,807,171	-	-	3,807,171
Other Unamortized Charges	-	5,520,972	-	-	5,520,972
Non-Utility Property	-	775,600	-	-	775,600
Other Long-term Assets	-	1,998	-	-	1,998
Total	<u>\$1,977,810</u>	<u>\$24,293,151</u>	<u>\$177,466</u>	<u>\$ 9,819</u>	<u>\$26,458,246</u>

The City has deferred charges resulting from the refinancing of debt together with the consist of issuing new debt. Such deferred charges are being amortized over the terms of the related debt.

In March 1990, the voters of the City of Burlington approved an \$11,300,000 bond issue to fund Demand Side Management (DSM) programs. In October 1992, the Electric Department issued revenue bonds of \$40,900,000 of which \$11,300,000 was designated to finance the costs of these programs. The costs of these programs have been deferred. Consistent with rate making treatment, the Electric Department is amortizing these costs using the sinking fund method over the life of the long-term bonds and the related debt service. Other Unamortized charges at June 30, 2003 are as follows:

<u>Category</u>	<u>Amount</u>
Loss on Transfer of Moran Station	\$ 3,513,030
Loss of Sale of Millstone III	173,949
Costs Associated with Chase Hydro	<u>1,833,993</u>
Total	<u>\$5,520,972</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

The Moran Station was deactivated in 1986. The un-depreciated costs of the plant are being amortized over the remaining life of the outstanding bonds which were issued to finance improvements to the Station.

In 1989, the Electric Department transferred its .0435% ownership interest in Millstone III, a nuclear generating unit, to the Connecticut Municipal Electric Cooperative for \$900,000. This sale resulted in a loss of \$3,493,000, which was deferred and is being amortized over the life of the outstanding bonds which were issued to finance the Electric Department's interest in the project.

In December 1991, the Electric Department entered into an agreement with Winooski One Partnership ("WIP"), a Vermont General Partnership, whereby WIP will construct and maintain Chace Hydro, a hydroelectric generating station built on Electric Department-owned land on the Winooski River. The costs associated with Chace Hydro will be amortized over the life of the outstanding bonds which were issued to finance the Electric Department's interest in the project and as income is received from WIP.

Vermont Yankee experienced scheduled outages during April through May 2001. The Electric Department incurred incremental purchase power costs and direct costs from Vermont Yankee in connection with these outages. As such outages are scheduled to occur every 18 months, the VPSB has directed the Electric Department to defer the related costs and, consistent with expected rate relief, to amortize them over the 18-month period until the next scheduled outage.

H. Deferred Revenue

Deferred Revenue in the General Fund consists of \$1,165,020 of delinquent property and gross receipt taxes and penalty and interest on those taxes not collected within sixty (60) days after year-end, and gross \$265,628 in Grant Revenue not collected within sixty (60) days after year end, and \$152,961 of Fire, Ambulance and Police Fees not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities. It also includes \$89,638 of prepaid recreation revenue and permit fees for Fiscal Year 2004. Total Deferred Revenue in the General Fund is \$1,673,247.

Deferred Revenue in the School Fund consists of \$1,583,119 in grant revenue that will be earned in Fiscal Year 2004. \$1,065,124 of this grant revenue was received in advance of expenditures and \$517,995 of grant revenue was not collected within 60 days after year end as these would not be available to liquidate current liabilities.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Deferred Revenue in the Special Revenue Funds consist of \$1,385 in prepaid traffic fees, and \$14,676,811 of Grants and Loans Receivable in the CEDO and Housing Trust Funds. The Deferred Revenue from the grants consists of \$32,691 of Grant Revenue for the CEDO Fund, received in advance of expenditures and \$2,464,615 of Grant Revenue not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities. This revenue will be earned in Fiscal Year 2004. The revenue from the loans of \$12,179,505 will be recognized as the loans are repaid to the City. The Church Street Marketplace Fund Deferred Revenue consists of \$19,450 of prepaid vendor assessments and \$19,440 of delinquent assessments not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total Deferred Revenue in the Special Revenue Funds is \$14,717,086.

Deferred Revenue in the Capital Project Funds consists of \$1,673,108 of Grant Revenue that will be earned in Fiscal Year 2004. \$554,721 of this Deferred Grant Revenue was received in advance of expenditures and \$1,118,387 was Grant Receivables not collected within sixty (60) days after year end as these would not be able to liquidate current liabilities.

I. Long-term Liabilities

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for both general governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. New bonds generally are issued as 10 to 20 year bonds. Refunding bond are issued for various terms based on the debt service of the debt refunded.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

No-Interest Revolving Loans. The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. The City has borrowed money from the Vermont Special Environmental Revolving Fund for sewer projects.

Capital Lease Obligations. The City enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they include clauses that allow for cancellation of the lease in the event the City does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases. Leases are reported in governmental activities if the debt is expected to be repaid from general governmental revenue and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

Revenue Bonds – The City issues bonds where the City pledges income to pay the debt service. Revenue bonds are reported in business type activities only because the debt is expected to be repaid from proprietary fund revenues.

Certificates of Participation – The City enters into agreements for the purpose of financing the acquisition and/or renovation of land and buildings. These agreements qualify as long-term debt obligations for accounting purposes (even though they include clauses that allow for cancellation of the lease in the event the City does not appropriate funds in future years). The Certificates of Participation are reported in governmental activities because all of the debt is expected to be repaid from general governmental revenues.

Other Notes Payable – The City has other notes payable to finance various capital projects through local banks and U.S. Government agencies and with the Burlington Electric Department primarily for energy related projects.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Changes in all long-term liabilities (including bonds, notes, capital leases, insurance reserves, compensated absences, postemployment benefits, and landfill postclosure costs) during the year were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 17,097,634	\$ 4,120,000	\$ 1,881,934	\$ 19,335,700	\$ 2,082,534
Bond Anticipation & Notes Payable	15,958,192	2,213,800	1,372,402	16,799,590	1,056,744
Obligations Under Capital Leases	4,840,385	1,428,746	880,016	5,389,115	916,320
Insurance Reserves	1,778,000	0	19,000	1,759,000	855,500
City Compensated Absences	1,527,906	182,111	0	1,710,017	0
School Compensated Absences	2,122,664	0	43,757	2,078,907	104,128
Landfill Post-Closure	282,000	0	122,000	160,000	25,000
School - Early Retirement Contracts	74,151	22,947	20,893	76,205	20,033
	<u>43,680,932</u>	<u>7,967,604</u>	<u>4,340,002</u>	47,308,534	<u>\$ 5,060,259</u>
Total Governmental Activities Long-term Liabilities				44,482	
Add Unamortized Premium				<u>47,353,016</u>	
Total					
Business-type Activities					
General Obligation Bonds Payable	7,177,367	0	1,538,067	5,639,300	1,592,467
Revenue Bonds	134,232,009	24,802,736	1,967,289	157,067,456	6,159,182
Capital Leases	248,276	0	98,861	149,415	69,800
Other Electric Department Long-Term Debt	153,178	0	6,032	147,146	16,303
Compensated Absences	961,823	38,558	0	1,000,381	0
	<u>\$ 142,772,653</u>	<u>\$ 24,841,294</u>	<u>\$ 3,610,249</u>	164,003,698	<u>\$ 7,837,752</u>
Total Business-type Activities Long-Term Liabilities				2,436,050	
Add Unamortized Premium				(223,347)	
Subtract Unamortized Discount				<u>(24,454,330)</u>	
Subtract Deferred Loss on Refunding					
Total				<u>\$ 141,762,071</u>	

Compensated Absences and Early Retirement Benefits are paid by the applicable fund where the employee is charged. Insurance Reserves are generally liquidated by the General Fund. Landfill Post-Closure Liabilities have been liquidated by the Waterwaster Fund.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

	Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding June 30, 2002	Principal Reduction	Outstanding June 30, 2003
General Obligation Debt (Tax Levy Supported)							
General City							
67	06/01/95	4.00-5.00	05/01/2005	500,000	175,000	55,000	120,000
69	06/15/96	3.80-5.40	12/01/2009	5,695,000	4,160,000	460,000	3,700,000
75	07/01/96	5.00	12/01/2016	250,000	25,000	15,000	10,000
80	07/10/97	4.00-4.80	12/01/2007	500,000	330,000	50,000	280,000
81	07/10/97	4.00-4.80	12/01/2007	750,000	490,000	70,000	420,000
83	08/03/98	3.90-4.10	12/01/2005	217,000	44,000	13,000	31,000
87	08/03/98	4.25-4.55	12/01/2011	835,000	665,000	55,000	610,000
90	08/03/98	4.25-4.55	12/01/2011	174,167	139,167	11,667	127,500
91	08/03/98	4.20-4.30	12/01/2008	750,000	560,000	70,000	490,000
93	02/16/99	3.25-3.80	05/01/2006	750,000	220,000	50,000	170,000
100	07/20/99	4.25-4.80	12/01/2009	750,000	625,000	65,000	560,000
105	10/12/00	4.25-4.75	12/01/2010	750,000	695,000	65,000	630,000
107	10/01/01	3.00-4.00	11/01/2011	750,000	750,000	60,000	690,000
108	10/01/01	3.00-3.10	11/01/2006	1,035,000	1,035,000	200,000	835,000
109	10/01/01	3.00	11/01/2006	1,090,000	1,090,000	215,000	875,000
115	07/30/02	3.00-4.00	09/01/2012	750,000	0	0	750,000
118	05/01/03	3.50-4.00	11/01/2018	2,500,000	0	0	2,500,000
				18,046,167	11,003,167	1,454,667	12,798,500
63	09/01/93	2.60-5.50	09/01/2013	1,550,000	1,130,000	70,000	0
71	06/15/96	3.80-5.40	12/01/2009	2,120,000	1,580,000	165,000	1,415,000
74	06/15/96	5.25-5.60	12/01/2016	3,250,000	2,775,000	130,000	2,645,000
84	08/03/98	3.90-4.10	12/01/2005	260,400	52,800	15,600	37,200
88	08/03/98	4.25-4.55	12/01/2011	696,667	556,667	46,667	510,000
112	07/30/02	2.50-4.00	09/01/2013	1,070,000	0	0	1,070,000
114	07/30/02	3.00-4.375	03/01/2018	860,000	0	0	860,000
				9,807,067	6,094,467	427,267	6,537,200
Certificates of Participation							
68	06/01/95	5.25-6.50	05/01/2005	2,500,000	1,940,000	0	0
94	06/01/99	4.30-4.80	12/01/2018	5,500,000	4,970,000	315,000	4,655,000
95	06/01/99	4.30-4.80	12/01/2018	1,390,000	1,250,000	50,000	1,200,000
103	06/27/00	5.375-5.75	12/01/2020	4,100,000	3,980,000	130,000	3,850,000
116	07/30/02	3.00-4.25	05/01/2015	2,075,000	0	140,000	1,935,000
				15,565,000	12,140,000	635,000	11,640,000
Other Notes Payable							
34	01/01/87	0.00	12/30/2004	98,554	14,075	5,633	8,442
99	03/01/98	8.25	02/28/2003	387,000	46,241	46,241	0
97	05/10/98	5.00	05/15/2008	260,000	208,000	13,000	195,000
96	05/10/98	7.20	05/15/2008	840,000	672,000	42,000	630,000
98	04/28/99	5.40-6.20	08/01/2017	1,930,000	1,735,000	110,000	1,625,000
128	02/12/03	1.32-1.36	10/31/2017	1,800,000	0	0	1,800,000
106	05/18/92	7.00	05/18/2017	674,000	516,290	21,696	494,594
120	06/10/02	4.75-6.50	06/10/2009	115,000	115,000	22,140	92,860
122	02/10/97	7.25	02/10/2003	36,948	11,980	11,980	0
124	07/20/00	8.25	12/01/2005	50,160	37,212	10,396	26,816
125	02/01/99	8.25	02/01/2004	51,051	19,394	11,316	8,078
				6,242,713	3,375,192	294,402	4,880,790
Tax and Bond Anticipation & Other Notes Payable							
	01/22/03	2.30	03/15/2003	4,000,000	0	3,000,000	0
	07/03/02	2.70	08/15/2002	5,000,000	0	1,000,000	0
	06/30/03	1.74	07/30/2003	278,800	0	0	278,800
	06/24/02	1.74	08/15/2002	443,000	443,000	0	0
				9,721,800	443,000	4,000,000	278,800
Subtotal Governmental Activities				59,382,747	33,055,826	6,811,336	36,135,290
Add Unamortized Premium				0	0	107	44,482
Total Governmental Activities				59,382,747	33,055,826	6,811,229	36,179,772

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

		Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding June 30, 2002	Principal Reduction	Outstanding June 30, 2003
Revenue Supported								
Enterprise Funds:								
Revenue Anticipation Notes Payable-Enterprise:								
	Wastewater Revenue Anticipation Notes	07/05/02	2.83	06/30/2003	1,000,000	0	1,000,000	0
	Subtotal				1,000,000	0	1,000,000	0
Airport Commission:								
111	Airport 2001 Refunding Bonds	10/01/01	3.00	11/01/2005	1,015,000	1,015,000	250,000	765,000
	Subtotal				1,015,000	1,015,000	250,000	765,000
	Add Unamortized Premium				0	3,926	981	2,945
	Subtract Deferred Loss on Refunding				0	(14,414)	(3,604)	(10,810)
	Subtotal				1,015,000	1,004,512	247,377	757,135
Electric Department:								
23	Nuclear Units #3	06/01/79	5.75	05/01/2008	1,200,000	300,000	50,000	250,000
62	Electric 1993 Capital	09/01/93	2.60-5.35	09/01/2009	250,000	135,000	15,000	0
66	Electric 1995 Capital	06/01/95	4.00-5.50	05/01/2010	250,000	160,000	15,000	145,000
70	Electric 1996 Series A Refunding Bonds	06/15/96	3.80-5.40	12/01/2009	555,000	400,000	50,000	350,000
73	Electric 1996 Capital Series B	06/15/96	5.25-5.60	12/01/2016	250,000	200,000	10,000	190,000
76	Electric 1996 Capital Series C	07/01/96	5.00-6.00	12/01/2016	250,000	225,000	5,000	220,000
86	Electric 1998 Series B Refunding Bonds	08/03/98	3.90-4.10	12/01/2005	390,600	79,200	23,400	55,800
89	Electric 1998 Series C Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	174,167	139,167	11,667	127,500
110	Electric 2001 Capital Refunding Bonds	10/01/01	3.00-3.10	11/01/2006	570,000	570,000	145,000	425,000
113	Electric 2002 GO Refunding Bonds	07/30/02	2.50-3.50	09/01/2008	120,000	0	0	120,000
	Subtotal				4,009,767	2,208,367	325,067	1,883,300
	Add Unamortized Premium				0	4,393	1,097	4,899
	Subtract Deferred Loss on Refunding				0	(77,939)	(18,318)	(61,578)
	Subtotal				4,009,767	2,134,821	307,846	1,826,621
Water Resources:								
85	Water 1998 Series B Refunding Bonds	08/03/98	3.90-4.10	12/01/2005	217,000	44,000	13,000	31,000
	Subtotal				217,000	44,000	13,000	31,000
	Subtract Deferred Loss on Refunding				0	(4,955)	(1,239)	(3,716)
	Subtotal				217,000	39,045	11,761	27,284
92	Wastewater 1999 Series A Refunding Bonds	02/16/99	3.25-3.80	05/01/2006	6,490,000	3,910,000	950,000	2,960,000
	Subtotal				6,490,000	3,910,000	950,000	2,960,000
	Add Unamortized Premium				0	7,606	2,535	5,071
	Subtract Deferred Loss on Refunding				0	(66,011)	(22,003)	(44,008)
	Subtotal				6,490,000	3,851,595	930,532	2,921,063
Total Revenue Supported					12,731,767	7,029,973	2,497,516	5,532,103
Total General Obligation Debt					72,114,514	40,085,799	9,308,745	41,711,875

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

		Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding June 30, 2002	Principal Reduction	Outstanding June 30, 2003
Revenue Debt								
Electric Department:								
77	Revenue Bonds 1996 Series A	04/01/96	3.80-6.38	12/01/2012	54,475,000	38,750,000	0	38,750,000
126	Revenue Bonds 2001 Series A	12/01/01	2.30-4.60	07/01/2014	11,115,000	11,115,000	0	11,115,000
127	Revenue Bonds 2002 Series A	04/01/02	5.00-5.375	07/01/2014	20,875,000	20,875,000	0	20,875,000
	Subtotal				86,465,000	70,740,000	0	70,740,000
	Add Unamortized Premium				0	2,127,093	118,547	2,008,546
	Subtract Unamortized Discount				0	(76,957)	(2,769)	(74,188)
	Subtract Deferred Loss on Refunding				0	(25,103,077)	(1,141,905)	(23,961,172)
	Subtotal				86,465,000	47,687,059	(1,026,127)	48,713,186
Water Resources:								
82	Revenue Bonds 1997 Series A	07/10/97	4.10-5.00	12/01/2012	13,925,000	11,630,000	835,000	10,795,000
	Subtotal				13,925,000	11,630,000	835,000	10,795,000
	Subtract Deferred Loss on Refunding				0	(414,495)	(41,449)	(373,046)
	Subtotal				13,925,000	11,215,505	793,551	10,421,954
Wastewater:								
102	Revenue Bonds 1990 Series I	12/06/90	0.00	12/01/2010	5,378,105	5,216,764	53,779	5,162,985
101	Revenue Bonds 1991 Series I	02/12/92	0.00	12/01/2014	19,403,807	19,033,495	48,510	18,984,985
108	Revenue Bonds 2001 Series	07/01/00	0.00	Unknown	65,700	51,750	0	54,486
	Subtotal				24,847,612	24,302,009	102,289	24,202,456
Airport:								
78	Revenue Bonds 1997 Series A	05/01/97	3.85-5.60	07/01/2017	12,380,000	10,870,000	450,000	10,420,000
79	Revenue Bonds 1997 Series B	05/01/97	4.00-5.75	07/01/2017	7,450,000	6,555,000	265,000	6,290,000
104	Revenue Bonds, 2000 Series A	05/17/00	4.80-6.20	07/01/2020	10,435,000	10,135,000	315,000	9,820,000
119	Revenue Bonds, 2003 Series A, Series B	06/11/03	2.00-5.00	07/01/2028	24,800,000	0	0	24,800,000
	Subtotal				55,065,000	27,560,000	1,030,000	51,330,000
	Add Unamortized Premium					414,589		414,589
	Subtract Unamortized Discount				0	(155,959)	6,800	(149,159)
	Subtotal				55,065,000	27,818,630	1,036,800	51,595,430
	Total Revenue Debt				180,302,612	111,023,203	906,513	134,933,026
	Total General Obligation and Revenue Debt				252,417,126	151,109,002	10,215,258	176,644,901

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$3,125,278	\$1,624,915	\$7,751,649	\$6,476,832
2005	3,208,665	1,484,249	8,507,881	6,567,749
2006	3,357,747	1,342,624	8,872,024	6,178,737
2007	3,353,742	1,197,740	8,765,733	5,749,863
2008	3,591,263	974,988	9,270,477	4,042,654
2009-2013	10,414,740	3,405,049	57,883,886	22,372,744
2014-2018	7,253,855	1,375,273	44,565,620	9,730,933
2019-2023	1,830,000	131,971	8,194,486	3,215,880
2024-2028	0	0	7,225,000	1,354,875
2029-2033	<u>0</u>	<u>0</u>	<u>1,670,000</u>	<u>41,750</u>
Total	<u>\$36,135,290</u>	<u>\$11,536,809</u>	<u>\$162,706,756</u>	<u>\$65,732,017</u>

The City is the lessee of various equipment under capital leases expiring in various years through 2017. Future minimum payments under the capital leases consisted of the following as of June 30, 2003.

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2004	\$1,139,943	\$74,464
2005	959,493	36,623
2006	785,797	27,204
2007	768,811	20,079
2008	627,019	0
2009-2013	1,405,360	0
2014-2017	<u>1,034,865</u>	<u>0</u>
Subtotal	6,721,288	158,370
Less-Amount representing interest	<u>(1,332,173)</u>	<u>(8,955)</u>
Total	<u>\$5,389,115</u>	<u>\$149,415</u>

Interest rates vary from 1.99% to 7.10%.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Revenue Bonds have been issued pursuant to the General Bond Resolution and are collateralized by a pledge of revenues. Pursuant to the General Bond Resolution, revenues (as defined) means all rates, fees, charges or other income and includes rentals, proceeds of insurance or condemnation or other disposition of assets, proceeds of bonds or notes and earnings from the investment of revenues. On an annual basis, revenues must be sufficient after deducting operating expenses (as defined) to meet minimum debt service coverage requirements (as defined). If minimum debt service coverage requirements are not met, the City must take timely corrective action. For the year ended June 30, 2003, revenues (as defined) exceeded debt service requirements.

The general obligation bonds issued to finance business type activities improvements are collateralized by the general revenue-raising power of the City of Burlington. Pursuant to the terms of a General Bond Resolution adopted by the City of Burlington (the General Bond Resolution), the claim on the revenues of the business type activities by the holders of revenue bonds under the General Bond Resolution is prior to any claim of the holders of general obligation bonds.

Advance Refundings:

On July 15, 2002, the City issued \$1,190,000 in general obligation Series A bonds with an interest rate ranging from 2.5% to 4.0% to refund \$1,180,000 of outstanding 1993 general obligation bonds with an average interest rate of 4.94%. The net proceeds of \$1,199,632, included a premium of \$14,880, accrued interest of \$1,633 less underwriting fees, insurance and other issuance costs of \$6,881. These proceeds paid off the 1993 bonds on September 1, 2002, which was the bond call date.

Although the advance refunding resulted in the recognition of a net accounting loss of \$19,415 for the year ended June 30, 2003, the City, in effect, reduced its aggregate debt service payments by \$95,025 over the next five (5) years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$81,516.

The accounting loss of \$1,957 in the business type activities has been deferred and will be amortized over the life of the related debt.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Also, on July 15, 2002, the City issued \$2,075,000 in Certificates of Participation with an average rate of 3.80% to refund \$1,940,000 of outstanding 1995 Certificates of Participation with an average interest rate of 5.80%. The net proceeds of \$2,058,215, included a premium of \$1,396 accrued interest of \$3,076 less \$21,257 of underwriting fees, issuance and other insurance costs. \$1,940,000 of these proceeds paid off the 1995 certificates of participation on May 1, 2003, which was the Certificates call date.

Although the advance refunding resulted in the recognition of an accounting loss of \$16,785 for the year ended June 30, 2003, the City, in effect, reduced its aggregate debt service payments by \$173,279 over the next 13 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$141,860.

Burlington Community Development Corporation has two notes payable with BankNorth, N.A. on the buildings it owns at the Airport and at 131 Battery Street totaling \$1,129,219 which are secured by mortgages. The loans are for ten years and have variable interest rates currently at 4.5%.

The Corporation also has three (3) notes payable with Chittenden Investment Services, Inc. with a balance of \$1,526,065 which are offset by notes receivable from the Burlington Community Land Trust and will be repaid as the notes receivable are collected.

Future maturities of the notes payable for Burlington Community Development Corporation are anticipated to be as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 97,403	\$145,413
2005	103,259	139,557
2006	109,043	133,773
2007	115,155	127,661
2008	121,274	121,542
2009-2013	717,945	496,134
2014-2018	585,163	313,960
2019-2023	608,947	136,458
2024-2028	188,445	17,786
2029	<u>8,650</u>	<u>81</u>
Total	<u>2,655,284</u>	<u>1,632,365</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

J. Restricted and Designated Fund Balances/Net Assets

The City's General Fund Balance as of June 30, 2003 was \$1,313,696. The City's General Fund designated fund balance was reduced by the \$1,093,791 revenue deferral for uncollected property taxes, penalties and interest. The expending of funds for the designated expenditures is contingent upon the receipt of these monies.

The reserved and designated fund balance of the General Fund as of June 30, 2003 consisted of the following:

GENERAL FUND

Restricted

Inventory & Prepaid Expenses	270,661
Parking Fund by Charter	23,000
Health Insurance Reserve	149,196
Library Books & Small Grants	15,252
Public Records Restoration	62,042
Vt Public Library Funds (Freeman Foundation)	111,026
Planning Grant	11,689
Safety Services Grants	7,901
Total Restricted	650,767

Designated

Designated Tax Items

Debt Service & Tax Rate Items	189,214
Waterfront Remediation Work	7,515
Parks – Greenbelt Dedicated Taxes	14,725
Cemetery Capital	9,163
Central City Computer	105,804
Memorial Auditorium Repairs	19,231
Assessment Funds (Act 60)	212,707
Subtotal Designated Items	558,359
Less: Uncollected Taxes, Penalties, and Interest	(1,093,791)

Total Designated Tax Items 0

Airport Industrial Park 606,570

Total Designated 606,570

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

The reserved fund balances of \$665,974 in the Special Revenue Funds are reserved for Traffic Fund expenditures by City Charter in the amount of \$459,042, reserved for the Housing Trust Fund in the amount of \$45,301 by City Charter and reserved for the Mary E. Wadell Fund in the amount of \$15,513 by trust agreement. The Traffic Fund also has a balance reserved for inventory and prepaid expenses of \$146,118.

The reserved fund balance of \$50,825 in the School Department Fund is reserved for prepaid expenses. The unreserved fund balance of \$554,362 consists of a designated fund balance of the School's general fund of \$758,019 less deficits in other school funds of \$203,657 which will be funded as grant receivable are collected in fiscal year 2004.

The negative fund balance of \$1,573,311 in the Special Revenue Funds consists of \$1,508,269 in the CEDO Fund which will be funded as grant receivables are collected in Fiscal Year 2004 and \$65,042 in the Church Street Marketplace Fund which will be funded over two years with increased revenue collection efforts and decreased expenses.

The reserved fund balances of \$2,663,346 in the Capital Project Funds consist of \$30,371 for the Telecommunications Project, \$2,261,694 for the Fire Vehicle Bond and \$371,281 for the 1996 and 2003 School Capital Projects. These are reserved Debt Proceeds.

The negative fund balances of \$1,737,022 in the Capital Projects Funds consist of \$346,206 for the Southern Connector, \$329,504 for the Transportation Facility, \$32,998 for the Bike Path, \$22,725 for the Main Street Project, \$115,926 for the Library Heating Upgrade, \$253,702 for the DPW New Facility, \$9,767 for the North Winooski Streetscape, and \$626,194 for the Firehouse Center. The DPW New Facility will be funded through user fees to other departments in future fiscal years. The Library Heating Upgrade will be funded with proceeds of long-term debt. All other funds with deficits will be funded as Grant Receivables are collected in Fiscal Year 2004 or from a transfer from the General Fund.

The reserved fund balances of \$859,261 in the Permanent Funds are reserved by trust agreements and restricted donations.

The City also has eight Private Purpose Trust Funds that are restricted by trust agreements and donations totaling \$203,283.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

K. Operating Leases

The Electric Department has several operating leases for the rental of equipment and vehicles. Future minimum lease payments are as follows:

Year ending <u>June 30</u>	<u>Amount</u>
2004	\$20,591
2005	14,188
2006	4,611
200	<u>539</u>
Total	<u>\$39,929</u>

V. OTHER INFORMATION

A .COMMITMENTS & CONTINGENCIES

ELECTRIC DEPARTMENT

1. The Department purchased power from Vermont Yankee pursuant to the provisions of a contract which entitles the Department to its ownership percentage (3.6%) of net plant production and obligates the Department to pay 3.6% of Vermont Yankee's operating expenses (including decommissioning expenses) and return on invested capital. The Department is also obligated, if called upon by Vermont Yankee, to provide its ownership percentage of capital requirements not provided by outside financing. In January, 2002, the Electric Department sold its ownership interest in Vermont Yankee back to Vermont Yankee Nuclear Power Corporation and effective March 1, 2002, terminated its commitment to purchase power from Vermont Yankee replacing it with bilateral contract market purchases. With the sale of its ownership share and termination of its purchase power contract, the Electric Department is under no obligation for future Vermont Yankee costs.
2. Estimated costs of disposing of spent nuclear fuel are billed by Vermont Yankee to its owners. The Department's share of such costs are included in purchased power expense. Billing of decommissioning costs for the Vermont Yankee plant at the end of its useful life commenced in September, 1983. Decommissioning costs billed to the Department amounted to \$0 for the year ended June 30, 2003.
3. Other sources of purchased power include power contracts from Northeast Utilities and New York State Electric and Gas. The Department continues to receive a block of hydro power from the New York Power Authority. The costs of power purchased under these contracts are accounted for as purchased power expense in the statement of operations.

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2003

The percentages of the Department's total energy requirements provided by major contracts were as follows:

McNeil Generating Station and	
Gas Turbine	22.9%
Northeast Utilities	16.3%
NYPA	4.7%
NEPOOL	20.4%
NYSEG	.9%
VEPPI	5.1%
Pacific Gas & Electric	27.8%
Other	<u>1.9%</u>
 Total	 <u>100.00%</u>

The Department purchases a significant portion of its electricity requirements pursuant to long-term contracts in the above-mentioned generating units. These contracts require the Department to make payments to cover its proportionate share of the capital and operating costs of these generating units. These payments are significant and are recovered currently through rates. Payments under long-term power supply contracts were \$5,432,305 for the year ended June 30, 2003.

4. The joint owners of the McNeil Station have entered into a contract with New England Central Railway for the transportation of wood chips to the McNeil Station. The contract expires in December, 2006, and under terms of the contract, a minimum payment of \$312,000 is required to be made in the fiscal year ending June 30, 2004. During 2003, the Department paid \$549,000 under this contract.
5. The joint owners of the McNeil Station have also entered into a contract for the operation of a wood chip receiving yard in Swanton, Vermont. The contract expires in December, 2006. Under the terms of that contract, a minimum payment of \$184,500 is required to be made by the Department in Fiscal Year 2004. During 2003, the Department paid \$261,000 under this contract.
6. The Department faces possible liability as a potentially responsible party ("PRP") with respect to the cleanup of certain hazardous waste sites. The City is currently a PRP as a landowner of a hazardous waste superfund site in Burlington, Vermont which is the subject of a remediation investigation by the Environmental Protection Agency. The Department has agreed to share on an equal basis in all past and future costs incurred in connection with any and all settlements or actions resulting from the designation of the City as a PRP at this site. In light of a recent agreement between the City and the E.P.A. concerning the remediation plan at the site, the Department believes that the likelihood of any liability material to the financial position of the Department is remote.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

7. During fiscal year 1997, the Department initiated a Voluntary Buyout Program ("VBP") for all eligible employees. Under the terms of the VBP, all employees with three or more years of service as of June 30, 1997 were eligible to participate. A total of 24 employees opted for the VBP and have separated from the Department. Under generally accepted accounting principles, the Department was required to accrue all costs associated with the VBP to the extent such costs were known and measurable. At June 30, 2003, the Department has a remaining liability of \$116,682, which will be reduced as cash payments are made to participants through fiscal year 2010.

8. As part of the Department's various Demand Side Management (DSM) programs, the Department's electric customers are able to finance the costs of various energy efficiency improvements made to their home or business through a loan program with a local bank. Customers repay the loan directly to the bank. In the event of default by a customer, the Department, as guarantor, pays the bank the remaining balance and assumes the responsibility of collecting the unpaid balance from the customer. The total exposure to the Department for all DSM loans outstanding as the bank as of June 30, 2003 was \$62,764.

LAKE CHAMPLAIN BARGE CANAL

The City faces possible liability as a potentially responsible party ("PRP") with respect to the cleanup of a certain hazardous waste site known as the Lake Champlain Barge Canal.

NORTH/SOUTH CONNECTOR PROJECT

The City has undertaken a major project which includes the land purchase and construction of connector highways on the north and south boundaries of the City. The City's portion of the estimated cost has been set at \$2,740,000 which is being financed by a general obligation bond issue dated December 1, 1986. The Northern Connector was completed and has been in service for fourteen years. However, the Southern Connector has been delayed until the Lake Champlain Barge Canal issue is resolved. An alternate route has been selected and the State has designated the City as design and project manager. The first stage of conceptual design of the highway was recently presented to the public. Design and re-evaluation will continue for about 18 months with major issues of railroad relocation, under-grounding of utilities, and permit review to take place during this time.

CHITTENDEN SOLID WASTE DISTRICT

The City is a member of the Chittenden Solid Waste District. There is at least one pending case at the District level. The City, as a member, could share in the costs of any unfavorable outcomes.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

CONSTRUCTION COMMITMENTS

The Airport has commitments for ongoing Airport Improvement Projects as well as the completion of construction in progress funded from the restricted assets. Airport Improvement Projects in progress include runway construction and improvement, land acquisitions, south end development, and for the replacement of snow removal equipment.

DEVELOPMENT OF THE LAND AT THE CORNER OF CHERRY & BATTERY STREETS

On May 19, 2003, the City entered into a development agreement with Westlake to provide for the construction of a hotel and parking facility on the southeast corner of Battery and Cherry Streets. The City exercised its right to purchase this land and is responsible for the construction of a parking garage containing 200 public spaces, known as the Westlake Garage. The City will also finance and construct an additional deck for 139 parking spaces on the existing Lakeview Garage. The funding for these public improvements will come from additional property taxes that will accrue to the City within its tax increment-financing district. The preliminary cost estimate for this project is \$4.2 - \$4.4 million. This will be paid with TIF revenues from the development. Westlake's responsibilities include the construction of a hotel on this site and residential condominiums on the undeveloped land adjacent to the Lakeview Parking Garage.

TRANSPORTATION CENTER

The Mayor and City Council stopped the development of the Transportation Center in July 2003 due to public concern about the location of the project. The Mayor then convened an ad hoc task force with representatives of the Chittenden County Metropolitan Planning Organization, The Chittenden County Transportation Authority, the Vtrans, the Burlington Business Association, Burlington City Council, the Department of Public Works, and the Burlington Planning Commission to evaluate the City's position and options relative to the project. This task force presented a plan that evaluates five locations for the transportation center. City Council is reviewing these alternatives at its February 2, 2004 meeting.

The engineering and design costs for the Transportation Center were paid for with Federal Transportation Authority funds. In the event that an acceptable site is not found, the FTA may recall funds for the design and engineering of the project totaling approximately \$1,400,000.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

B. INSURANCE RESERVES

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages these risks through a combination of commercial insurance packages purchased in the name of the Electric, Airport and School Departments, and through the City's risk management program.

Prior to July 1, 1992, the City self-insured risks of property, liability and workers' compensation claims, except for the Electric Department which maintains commercial insurance coverage for all property and liability related risks except automobile; the Airport which maintains commercial airport insurance and the School Department which maintains commercial coverage for all risks.

On July 1, 1992, the City entered into an agreement with The Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund (hereinafter VLCT) for the purpose of VLCT providing property, liability and worker's compensation coverage to replace its self-insured risks. VLCT is a risk pool set up for the benefit of members of the Vermont League of Cities and Towns. VLCT also provides all administration for the City. The administrator is responsible for approval, processing, and payment of claims, after which, they bill the City for reimbursement.

The agreement with VLCT calls for contribution for the loss fund to be billed at 29.4% of paid losses up to a maximum of \$312,500 for 1992 and \$706,175 for 1993, at 25% of paid losses up to a maximum of \$757,500 for 1994, at 20% of paid losses up to a maximum of \$800,000 for 1995, at 18% of paid losses up to a maximum of \$792,000 for 1996, at 14.86% of paid losses up to a maximum of \$579,570 for 1997, at 18.6% of paid losses up to a maximum of \$725,276 for 1998, at 19.01% of paid losses up to a maximum of \$760,589 for 1999, at 20.47% of paid losses up to a maximum of \$818,947 for 2000, at 21.82% of paid losses up to a maximum of \$1,069,181 for 2001, at 21.28% of paid losses up to a maximum of \$1,138,659 for 2002 and at 16.44% of paid losses up to a maximum of \$1,145,589 for 2003. The City is also contingently liable for up to \$60,000 in swing rate adjustments in fund year 1992.

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2003

The liability recorded at June 30, 2003 is based on the ultimate liability as determined by VLCT's actuaries. VLCT establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims.

Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Health insurance is administered by a third party administrator that is responsible for approval, processing and payment of claims, after which they bill the City for reimbursement. The City has reinsurance for individual claims in excess of \$100,000 for the 2003 policy year. The School is a member of Vermont Educational Health Initiative (VEHI). VEHI is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont school districts and is owned by the participating members. The agreement does not permit VEHI to make additional assessments to its members.

Dental insurance is administered by a third party administrator that is responsible for approval, processing and payment of claims, after which they bill the City for reimbursement. Each covered employee is guaranteed \$1,500 of paid claims per year after which the employee must pick up any excess costs.

The costs associated with these self-insurance plans are budgeted in the General Fund and allocated to other funds based on the following:

<u>Type</u>	<u>Allocation Method</u>
Worker's Compensation	Gross Payroll by W/C category and experience
Health & Dental	Premiums estimated by the third party administrator
Liability & Property	Gross Payroll

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

At June 30, 2003, the City has recorded a liability of \$634,337 included in accounts payable which represents reported health, dental, property, liability and worker's compensation claims incurred on or before June 30, 2003, but were not paid by the City as of that date. A reserve of \$1,759,000 is included for claims incurred but not reported. This consists of \$1,390,000 for property, liability and workers' compensation claims, \$350,000 for health claims and \$19,000 for dental claims. \$350,000 of this reserve is carried in the General Fund as it is funded by a working fund deposit. This amount was determined by the third party administrators as described above for property, liability and workers' compensation and based on subsequent claims with a completion factor for health and dental.

Settled claims resulting from insured risks have not exceeded coverage in the past three fiscal years.

The City has elected to pay actual unemployment claims instead of enrolling in an unemployment insurance program. No liabilities have been accrued as the City is not able to make an estimate as to any future costs. The City and School paid \$111,688 and \$53,789 respectively, in unemployment claims during fiscal year 2003.

C. BONDS/LONG-TERM DEBT ISSUED

On July 15, 2002, the City issued \$750,000 General Obligation Bonds for the purpose of financing various capital improvements. \$443,000 was used to repay a bond anticipation note taken out on June 24, 2002. The School Department issued \$860,000 General Obligation Bonds for the purpose of financing various capital improvements. The City issued \$2,075,000 Refunding Certificates of Participation for the purpose of refunding older bonds with higher debt service requirements. The School Department and Electric Department issued \$1,190,000 refunding general obligation bonds for the purpose of reducing future debt service.

On February 12, 2003, the City issued \$1,800,000 U.S. Government notes for the purpose of purchasing a parcel of land.

On April 1, 2003, the City issued \$2,500,000 general obligation bonds for the purpose of financing new public safety vehicles.

On June 11, 2003, the City Airport Department issued \$24,800,000 in revenue bonds for the purpose of making capital improvements at the airport.

On June 30, 2003, the City issued a \$278,800 bond anticipation note for the purpose of financing various capital improvements.

The City received \$2,736 from the State of Vermont Special Environmental Revolving Fund for the purpose of financing various sewer plant and upgrade engineering costs.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

D. RELATED PARTY TRANSACTIONS

Burlington Community Development Corporation (BCDC) is a related non-profit corporation that was organized to carry out the industrial and economic development of the City of Burlington. The Board of Directors of the Corporation must all be members of the City of Burlington's Board of Finance. The City's Treasurer's Office prepares all accounting data for BCDC. The City also rents office space from BCDC. BCDC is included as a component unit of the City.

The Retirement Fund utilizes Chittenden Investment Services as the custodian of their retirement assets. The investment representative for Chittenden Investment Services is also the Chairman of the Retirement Board. The amount paid for custodial fees on the investment accounts to Chittenden Investment Services for the year ending June 30, 2003 was \$47,394.

The City of Burlington Art's Department head is also the Executive Director of the Burlington City Arts Foundation, Inc. The Foundation has been the main funding source for the Firehouse Center Capital Project. As of June 30, 2003, the Burlington City Arts Foundation, Inc. owed the City \$1,291,252 for capital expenditures on the Firehouse Center Project.

E. DEFINED BENEFIT PENSION PLANS

CITY OF BURLINGTON

Plan Description

The City maintains a single employer defined benefit pension plan covering substantially all of its employees except elective officials, other than the mayor, and the majority of the public school teachers, who are eligible for the Vermont State Teacher's Retirement System. The plan is broken down into Class A participants and Class B participants. Class A participants are composed of firemen and policemen. Class B participants include all other covered City employees. The payroll for Class A and B employees covered by the system for the year ended June 30, 2003 was \$6,712,057 and \$21,076,002 respectively. The City's total payroll, except for school teachers, was \$37,510,413.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Class A participants vest 20 percent after three years of creditable service, and 20 percent for each year thereafter until they are 100 percent vested after 7 years of creditable service. The normal benefit is payable commencing at age 55. Class A participants who retire at or after age 55 with 7 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2.75 percent of their average final compensation (AFC) during the highest three non-overlapping twelve-month periods times creditable service not in excess of 25 years plus .5 percent of the AFC times years of creditable service between 25 and 35 years, prior to age 60 and a yearly COLA based on CPI. Class A retirees could alternatively elect to choose an accrual rate of 3.25% and one half the yearly COLA, or an accrual rate of 3.8% and no COLA. Employees may retire prior to age 55 and receive reduced retirement benefits. Class A employees have unreduced benefits after 25 years of service, regardless of age. Class A participants contribute 8.8 percent of earnable compensation for the first 35 years of creditable service and then none thereafter.

All eligible City Class B employees vest 20 percent after three years of creditable service, and 20 percent for each year thereafter until they are 100 percent vested after 7 years of creditable service. Class B participants who retire at or after age 65 are entitled to a retirement benefit, payable monthly for life, equal to 1.60 percent of AFC (at age 65) during the highest three non-overlapping twelve-month periods times creditable service at age 65 not in excess of 25 years plus .5 percent of AFC times creditable service at age 65 in excess of 25 years and a yearly COLA based on the CPI. Class B retirees could alternatively elect to choose an accrual rate of 1.9% and one half the yearly COLA, or an accrual rate of 2.2% and no COLA. Employees may retire prior to age 65 and receive reduced retirement benefits. Creditable service or an actuarial increase is used after age 65. The Class B participants make no contributions to the system.

The system also provides accidental death benefits for Class A participants, and disability and survivor income benefits for both Class A and Class B participants. The benefits are changed by negotiation and by the Retirement Board with budgetary approval by the City Council.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Actuarially Determined Contribution Requirements and Contribution Made

It is the policy of the City of Burlington to fund, by actuarially determined periodic contributions, the normal cost of the Plan plus a provision for amortization of past service cost over a 10 year period from date of establishment. The contribution rate for normal cost is determined using the projected unit credit cost method with costs allocated based on earnings of plan members.

The system uses the level percentage of payroll method to amortize the unfunded liability over a 10 year period from date of establishment. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are as follows:

Valuation Method	Five year expected average market value method
Actuarial Cost Method	Projected unit credit cost
Interest rate	8%
Salary increases	Range of 8.8% at age 25 to 3.89% at age 69
Inflation rate	4 Percent

The total contribution to the system for 2003 of \$2,041,756 included \$1,079,920 made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 2001. Revenue generating departments contributed \$680,380 (6.35% percent of current covered payroll). Class A employees contributed \$590,661 (8.8% percent of current covered payroll). The total system contributions include past service cost amortization of the unfunded past service cost (surplus) of \$(2,380,771).

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets over AAL (a - b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a Percentage of Covered Payroll ((a-b)/c)
6/30/97	71,020,800	64,202,502	6,818,298	110.62%	21,742,782	31.36%
6/30/98	81,368,557	71,053,792	10,314,765	114.52%	21,325,110	48.37%
6/30/99	92,782,371	76,225,530	16,556,841	121.72%	22,938,963	72.18%
6/30/00	111,224,657	96,610,677	14,613,980	115.13%	23,914,477	61.11%
6/30/01	114,203,990	101,700,266	12,503,724	112.29%	24,730,357	50.56%
6/30/02	112,980,276	109,116,441	3,863,835	103.54%	26,050,313	14.83%

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2003

SCHEDULE OF EMPLOYER CONTRIBUTION

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/97	1,039,353	1,039,353	100%
6/30/98	1,013,907	1,013,907	100%
6/30/99	752,481	752,481	100%
6/30/00	43,834	43,834	100%
6/30/01	274,878	274,878	100%
6/30/02	767,446	767,446	100%

SCHEDULE OF ANNUAL PENSION COST

Year Ended	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
6/30/00	43,834	100%	0
6/30/01	274,878	100%	0
6/30/02	767,446	100%	0

SCHOOL DEPARTMENT PENSION

All School Department employees with proof of certification are eligible for participation in the Vermont State Teacher's Retirement System, at either the Class A or Class C level. The system is funded 100 percent by the State of Vermont. Employees participating in the Class A level contribute 5.5 percent and Class C employees contribute 3.4 percent of the total gross wages through a payroll deduction plan. The School has no liability to the system. The premise of this plan is to provide a retirement plan covering teachers at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont teachers. Activity in these plans is done in the aggregate, not by school district. Due to the nature of these plans, net assets available for benefits as well as present value of vested and non-vested plan benefits by district are not determinable.

The State makes retirement contributions of approximately 4.50% of all eligible covered salaries on-behalf of the School District. The Schools' total payroll was \$25,892,016, while its eligible covered payroll was \$18,267,526 resulting in an estimated \$822,039 of on-behalf payments. This amount is included as a Revenue and an Expense. Additional information regarding the Vermont State Teacher's Retirement system can be obtained from the State of Vermont.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

DEFERRED COMPENSATION

The City also offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457 through the International City Managers' Association's (ICMA) Retirement Corporation, and the Nationwide Retirement Solutions. The plans permit employees to defer a portion of their salary until future years. The City contributes to one City employee's deferred compensation account. The expense for the year ending June 30, 2003 was \$4,444. Deferred compensation is not available to employees until termination, retirement, or death. The City has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent investor.

POST EMPLOYMENT HEALTH BENEFITS

The City also provides post-employment health benefits to all eligible Class A employees. This amount is funded monthly by the Retirement Fund and is equal to 1% of each employee's gross pay. The expense for the year ended June 30, 2003 was \$49,945. Contributions prior to 1998 for current employees are being held in the Retirement Fund and shown as a liability. All other contributions after 1998 are being sent to and administered by Nationwide Retirement Solutions. As employees leave employment with the City, the Retirement Fund forwards the money to Nationwide Retirement Solutions. The Retirement Fund has guaranteed an earnings rate of 8% but assumes no other liability. The amount recorded as a liability in the Retirement Fund as of June 30, 2003 is \$280,722.

The School District provides post employment health benefits to retired educators with 15 years of service until they reach the age of 62 ½. The School has agreed to pay for a single member plan. There are currently eleven retired teachers receiving the benefit. The amount needed to fund post employment health benefits liability today is estimated to be \$76,205.

F. Subsequent Events

- A. On July 3, 2003, the City issued a tax anticipation note for \$5,000,000 with the BankNorth Vermont, however, only withdrew \$3,000,000. This note was paid in full on August 22, 2003.
- B. On July 2, 2003, the City issued a revenue anticipation note with Banknorth, Vermont for \$700,000 for the Wastewater Fund to finance current operations. The note is due June 30, 2004.
- C. On October 15, 2003, the City issued \$750,000 General Obligation Bonds for the purpose of financing various capital improvements.
- D. On July 31, 2003, the City received \$278,800 of capital lease proceeds from Banknorth, Vermont for the purpose of repaying a bond anticipation note taken out on June 30, 2003 to purchase a dock system for the Waterfront Park.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

- E. Subsequent to year-end, BCDC terminated its lease with a current tenant, MESA. At its meeting of June 23, 2003, the Directors authorized the payment of \$425,000 to MESA for the termination of any and all lease obligations and rights.

It's Directors also authorized the sale of the 131 Battery Street property at the June 23 meeting. In October 2003, BCDC received and accepted an offer of \$1,300,000 from a local clothing vendor to purchase the property. This is contingent on permitting and several other items. The date of the closing has not yet been determined.

CITY OF BURLINGTON, VERMONT
 COMBINING BALANCE SHEET
 SCHOOL DEPARTMENT - ALL GOVERNMENTAL FUNDS
 JUNE 30, 2003

	<u>General Fund</u>	<u>Chapter I & II Grants</u>	<u>Other Special Revenue Funds</u>	<u>Vocational Center</u>	<u>Total</u>
ASSETS					
Cash	\$ 4,068,940	\$ (208,784)	\$ 1,044,300	\$ 155,907	\$ 5,060,363
Investments	0	0	42,565	0	42,565
Accounts Receivable	553,374	419,987	219,192	52	1,192,605
Prepays	<u>6,108</u>	<u>0</u>	<u>0</u>	<u>44,717</u>	<u>50,825</u>
Total Assets	<u>\$ 4,628,422</u>	<u>\$ 211,203</u>	<u>\$ 1,306,057</u>	<u>\$ 200,676</u>	<u>\$ 6,346,358</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 3,242,172	\$ 207,673	\$ 438,278	\$ 165,801	\$ 4,053,924
Deferred Revenue	517,995	3,530	1,026,719	34,875	1,583,119
Compensated Absences	<u>104,128</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>104,128</u>
Total Liabilities	<u>3,864,295</u>	<u>211,203</u>	<u>1,464,997</u>	<u>200,676</u>	<u>5,741,171</u>
Fund Balances:					
Reserved for:					
Prepays	6,108	0	0	44,717	50,825
Unreserved:					
Designated	758,019	0	0	0	758,019
Undesignated	<u>0</u>	<u>0</u>	<u>(158,940)</u>	<u>(44,717)</u>	<u>(203,657)</u>
Total Fund Balances	<u>764,127</u>	<u>0</u>	<u>(158,940)</u>	<u>0</u>	<u>605,187</u>
Total Liabilities and Fund Balances	<u>\$ 4,628,422</u>	<u>\$ 211,203</u>	<u>\$ 1,306,057</u>	<u>\$ 200,676</u>	<u>\$ 6,346,358</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SCHOOL DEPARTMENT - ALL GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	General Fund	Chapter I & II Grants	Other Special Revenue Funds	Vocational Center	Total
Revenues:					
Taxes	\$ 3,737,262	\$ 0	\$ 0	\$ 0	\$ 3,737,262
Payments in Lieu of Taxes	1,485,690	0	0	0	1,485,690
Intergovernmental	25,686,867	1,634,801	5,371,046	1,451,608	34,144,322
Charges for Services	644,258	0	0	492,382	1,136,640
Investment Income	59,705	0	0	0	59,705
Total Revenues	31,613,782	1,634,801	5,371,046	1,943,990	40,563,619
Expenditures:					
Education	30,297,021	1,634,801	5,598,915	1,928,147	39,458,884
Debt Service:					
Bond and Note Principal Retirement	445,670	0	22,373	11,097	479,140
Interest Charges	291,888	0	25,380	4,746	322,014
Total Expenditures	31,034,579	1,634,801	5,646,668	1,943,990	40,260,038
Excess of Revenue Over/(Under)					
Expenditures	579,203	0	(275,622)	0	303,581
Other Financing Sources/(Uses):					
Transfer In	0	0	187,157	0	187,157
Transfer Out	(241,808)	0	0	0	(241,808)
Total Other Financing Sources/(Uses)	(241,808)	0	187,157	0	(54,651)
Net Change in Assets	337,395	0	(88,465)	0	248,930
Fund Balances/(Deficit) - July 1, 2002	426,732	0	(70,475)	0	356,257
Fund Balances/(Deficit) - June 30, 2003	\$ 764,127	\$ 0	\$ (158,940)	\$ 0	\$ 605,187

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2002

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
ASSETS:				
Cash	\$ (777,913)	\$ 677,891	\$ 146,122	\$ 46,100
Investments	0	976,552	703,779	1,680,331
Accounts Receivable (Net of Allowance for Doubtful Accounts)	2,800,808	2,198,379	0	4,999,187
Loans Receivable	9,131,597	0	0	9,131,597
Accrued Interest Receivable	3,047,896	0	9,360	3,057,256
Inventories	144,057	0	0	144,057
Other Current Assets	2,061	0	0	2,061
	<u>14,348,506</u>	<u>3,852,822</u>	<u>859,261</u>	<u>19,060,589</u>
LIABILITIES AND FUND BALANCES:				
Liabilities :				
Accounts and Contracts Payable	340,860	1,137,464	0	1,478,324
Accrued Liabilities	59,548	0	0	59,548
Due to Other Funds	11,682	0	0	11,682
Interfund Loan Payable	126,667	115,926	0	242,593
Deferred Revenue	14,717,086	1,673,108	0	16,390,194
	<u>15,255,843</u>	<u>2,926,498</u>	<u>0</u>	<u>18,182,341</u>
Fund Balances:				
Reserved for:				
Inventory and Prepays	146,118	0	0	146,118
Reserved for Restricted Purposes	519,856	2,663,346	859,261	4,042,463
Unreserved:				
Undesignated	(1,573,311)	(1,737,022)	0	(3,310,333)
	<u>(907,337)</u>	<u>926,324</u>	<u>859,261</u>	<u>878,248</u>
Total Fund Balances	<u>(907,337)</u>	<u>926,324</u>	<u>859,261</u>	<u>878,248</u>
Total Liabilities and Fund Balances	<u>\$ 14,348,506</u>	<u>\$ 3,852,822</u>	<u>\$ 859,261</u>	<u>\$ 19,060,589</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
REVENUES:				
Intergovernmental Revenues	\$ 3,433,428	\$ 2,347,170	\$ 0	\$ 5,780,598
Charges for Services	5,114,057	0	0	5,114,057
Licenses and Permits	61,669	0	0	61,669
Interest	7,539	32,913	21,638	62,090
Other Revenues	<u>1,336,310</u>	<u>582,277</u>	<u>13,065</u>	<u>1,931,652</u>
Total Revenues	<u>9,953,003</u>	<u>2,962,360</u>	<u>34,703</u>	<u>12,950,066</u>
EXPENDITURES:				
Current expenditures				
Public works	5,079,992	0	0	5,079,992
Community Development	7,388,791	0	0	7,388,791
Capital expenditures	0	5,968,042	0	5,968,042
Debt service expenditures				
Principal	109,995	22,140	0	132,135
Interest	105,460	7,861	0	113,321
Bond Issue Costs	<u>0</u>	<u>53,912</u>	<u>0</u>	<u>53,912</u>
Total Expenditures	<u>12,684,238</u>	<u>6,051,955</u>	<u>0</u>	<u>18,736,193</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,731,235)</u>	<u>(3,089,595)</u>	<u>34,703</u>	<u>(5,786,127)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds of Long-term Debt	1,800,000	3,360,000	0	5,160,000
Bond Premium	0	36,112	0	36,112
Refunding Bonds Issued	0	1,070,000	0	1,070,000
Payment to Refunding Bond Escrow Agent	0	(1,060,000)	0	(1,060,000)
Transfers in	544,472	214,804	0	759,276
Transfers out	<u>(94,400)</u>	<u>0</u>	<u>(21,232)</u>	<u>(115,632)</u>
Total Other Financing Sources (Uses)	<u>2,250,072</u>	<u>3,620,916</u>	<u>(21,232)</u>	<u>5,849,756</u>
Net Change in Fund Balances	(481,163)	531,321	13,471	63,629
Fund Balances/(Deficit) - July 1, 2002	<u>(426,174)</u>	<u>395,003</u>	<u>845,790</u>	<u>814,619</u>
Fund Balances/(Deficit) - June 30, 2003	<u>\$ (907,337)</u>	<u>\$ 926,324</u>	<u>\$ 859,261</u>	<u>\$ 878,248</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET
CITY SPECIAL REVENUE FUNDS
JUNE 30, 2003

	Traffic Commission Fund	Community and Economic Development Fund	Housing Trust Fund	Church Street Marketplace Fund	Mary E. Wadell Fund	Total
ASSETS:						
Cash	\$ 488,844	\$ (1,353,082)	\$ 60,893	\$ 9,919	\$ 15,513	\$ (777,913)
Accounts Receivable (Net of Allowance for Doubtful Accounts)	41,556	2,737,332	0	21,920	0	2,800,808
Loans Receivable	0	2,716,597	6,415,000	0	0	9,131,597
Accrued Interest Receivable	0	3,851	3,044,045	0	0	3,047,896
Inventories	144,057	0	0	0	0	144,057
Other Current Assets	<u>2,061</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,061</u>
Total Assets	<u>\$ 676,518</u>	<u>\$ 4,104,698</u>	<u>\$ 9,519,938</u>	<u>\$ 31,839</u>	<u>\$ 15,513</u>	<u>\$ 14,348,506</u>
LIABILITIES AND FUND BALANCES:						
Liabilities						
Accounts and Contracts Payable	\$ 36,370	\$ 240,840	\$ 10,875	\$ 52,775	\$ 0	\$ 340,860
Accrued Liabilities	30,099	19,516	4,717	5,216	0	59,548
Due to Other Funds	3,504	8,178	0	0	0	11,682
Interfund Loan Payable	0	126,667	0	0	0	126,667
Deferred Revenue	<u>1,385</u>	<u>5,217,766</u>	<u>9,459,045</u>	<u>38,890</u>	<u>0</u>	<u>14,717,086</u>
Total Liabilities	<u>71,358</u>	<u>5,612,967</u>	<u>9,474,637</u>	<u>96,881</u>	<u>0</u>	<u>15,255,843</u>
Fund Balances:						
Reserved for:						
Inventory and Prepaids	146,118	0	0	0	0	146,118
Reserved for Restricted Purposes	459,042	0	45,301	0	15,513	519,856
Unreserved - Undesignated	<u>0</u>	<u>(1,508,269)</u>	<u>0</u>	<u>(65,042)</u>	<u>0</u>	<u>(1,573,311)</u>
Total Fund Balances	<u>605,160</u>	<u>(1,508,269)</u>	<u>45,301</u>	<u>(65,042)</u>	<u>15,513</u>	<u>(907,337)</u>
Total Liabilities and Fund Balances	<u>\$ 676,518</u>	<u>\$ 4,104,698</u>	<u>\$ 9,519,938</u>	<u>\$ 31,839</u>	<u>\$ 15,513</u>	<u>\$ 14,348,506</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CITY SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Traffic Commission Fund	Community and Economic Development Fund	Housing Trust Fund	Church Street Marketplace Fund	Mary E. Wadell Fund	Total
Revenues:						
Intergovernmental	\$ 0	\$ 3,433,428	\$ 0	\$ 0	\$ 0	\$ 3,433,428
Charges for Services	4,456,377	205,695	0	451,985	0	5,114,057
Licenses and Permits	24,065	0	0	37,604	0	61,669
Interest Income	7,411	0	0	0	128	7,539
Other Revenues	25,000	1,246,564	0	64,746	0	1,336,310
Total Revenues	<u>4,512,853</u>	<u>4,885,687</u>	<u>0</u>	<u>554,335</u>	<u>128</u>	<u>9,953,003</u>
Expenditures:						
Public Works	4,518,498	0	0	561,494	0	5,079,992
Community Development	0	7,201,730	187,061	0	0	7,388,791
Debt Service						
Bond and Note Principal Retirement	49,995	60,000	0	0	0	109,995
Interest Charges	62,433	43,027	0	0	0	105,460
Total Expenditures	<u>4,630,926</u>	<u>7,304,757</u>	<u>187,061</u>	<u>561,494</u>	<u>0</u>	<u>12,684,238</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>(118,073)</u>	<u>(2,419,070)</u>	<u>(187,061)</u>	<u>(7,159)</u>	<u>128</u>	<u>(2,731,235)</u>
Other Financing Sources/(Uses):						
Proceeds of Long-term Debt	0	1,800,000	0	0	0	1,800,000
Transfers In	260,000	85,540	187,432	11,500	0	544,472
Transfers Out	(94,400)	0	0	0	0	(94,400)
Total Other Financing Sources/(Uses)	<u>165,600</u>	<u>1,885,540</u>	<u>187,432</u>	<u>11,500</u>	<u>0</u>	<u>2,250,072</u>
Net Change in Fund Balance	47,527	(533,530)	371	4,341	128	(481,163)
Fund Balances/(Deficit) - July 1, 2002	<u>557,633</u>	<u>(974,739)</u>	<u>44,930</u>	<u>(69,383)</u>	<u>15,385</u>	<u>(426,174)</u>
Fund Balances/(Deficit) - June 30, 2003	<u>\$ 605,160</u>	<u>\$ (1,508,269)</u>	<u>\$ 45,301</u>	<u>\$ (65,042)</u>	<u>\$ 15,513</u>	<u>\$ (907,337)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2003

	City Capital Projects					
	Southern Connector	Tele-com munications Project	Transportation Facility	STP Bike Path	Fire Vehicle Bond	Riverside Ave. and Main Street Projects
ASSETS:						
Cash	\$ (202,160)	\$ (898,289)	\$ (339,203)	\$ (23,640)	\$ 2,283,304	\$ (22,469)
Investments	0	976,552	0	0	0	0
Accounts Receivable	426,703	406	157,571	32,998	0	22,725
Total Assets	\$ 224,543	\$ 78,669	\$ (181,632)	\$ 9,358	\$ 2,283,304	\$ 256
LIABILITIES AND FUND BALANCES						
Liabilities :						
Accounts payable	\$ 144,046	\$ 48,298	\$ 147,872	\$ 9,358	\$ 21,610	\$ 256
Interfund Loan Payable	0	0	0	0	0	0
Deferred Revenue	426,703	0	0	32,998	0	22,725
Total Liabilities	570,749	48,298	147,872	42,356	21,610	22,981
Fund Balance:						
Reserved for Restricted Purposes	0	30,371	0	0	2,261,694	0
Unreserved	(346,206)	0	(329,504)	(32,998)	0	(22,725)
Total Fund Balance	(346,206)	30,371	(329,504)	(32,998)	2,261,694	(22,725)
Total Liabilities and Fund Balance	\$ 224,543	\$ 78,669	\$ (181,632)	\$ 9,358	\$ 2,283,304	\$ 256

The accompanying notes are an integral part of this financial statement.

					School Capital Projects		
Library Heating Upgrade	DPW New Facility	Engelsby Brook	N. Winooski Streetscape	Firehouse Center	1996 School Capital	2003 School Capital	Total
\$ 0	\$ (73,701)	\$ 561,275	\$ (9,767)	\$ (1,200,671)	\$ 5,786	\$ 597,426	\$ 677,891
0	0	0	0	0	0	0	976,552
0	0	0	9,767	1,291,252	0	256,957	2,198,379
<u>\$ 0</u>	<u>\$ (73,701)</u>	<u>\$ 561,275</u>	<u>\$ 0</u>	<u>\$ 90,581</u>	<u>\$ 5,786</u>	<u>\$ 854,383</u>	<u>\$ 3,852,822</u>
\$ 0	\$ 180,001	\$ 6,554	\$ 0	\$ 90,581	\$ 0	\$ 488,888	\$ 1,137,464
115,926	0	0	0	0	0	0	115,926
0	0	554,721	9,767	626,194	0	0	1,673,108
<u>115,926</u>	<u>180,001</u>	<u>561,275</u>	<u>9,767</u>	<u>716,775</u>	<u>0</u>	<u>488,888</u>	<u>2,926,498</u>
0	0	0	0	0	5,786	365,495	2,663,346
<u>(115,926)</u>	<u>(253,702)</u>	<u>0</u>	<u>(9,767)</u>	<u>(626,194)</u>	<u>0</u>	<u>0</u>	<u>(1,737,022)</u>
<u>(115,926)</u>	<u>(253,702)</u>	<u>0</u>	<u>(9,767)</u>	<u>(626,194)</u>	<u>5,786</u>	<u>365,495</u>	<u>926,324</u>
<u>\$ 0</u>	<u>\$ (73,701)</u>	<u>\$ 561,275</u>	<u>\$ 0</u>	<u>\$ 90,581</u>	<u>\$ 5,786</u>	<u>\$ 854,383</u>	<u>\$ 3,852,822</u>

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	City Capital Projects					
	Southern Connector	Tele-com munications Project	Transportation Facility	STP Bike Path	Fire Vehicle Bond	Riverside Ave. and Main Street Projects
Revenues:						
Intergovernmental Revenue	\$ 687,078	\$ 0	\$ 547,858	\$ 46,383	\$ 0	\$ 0
Investment Income	0	13,503	0	0	7,443	0
Other Income	241	16,900	0	0	0	1,961
Total Revenue	687,319	30,403	547,858	46,383	7,443	1,961
Expenditures:						
Construction/Purchases	0	1,244,947	0	0	242,454	0
Engineering and Administrative Fees	724,458	0	724,388	49,770	0	19,035
Legal and Miscellaneous Expenses	1,446	30,515	1,376	4,384	0	7,554
Lease Payments	0	201,978	0	0	0	0
Debt Service:						
Principal	0	22,140	0	0	0	0
Interest	0	7,268	0	0	0	0
Bond Issue Costs	0	0	0	0	30,284	0
Total Expenditures	725,904	1,506,848	725,764	54,154	272,738	26,589
Excess/(Deficiency) of Revenue Over Expenditures	(38,585)	(1,476,445)	(177,906)	(7,771)	(265,295)	(24,628)
Other Financing Sources/(Uses):						
Capital-Related Debt Issued	0	0	0	0	2,500,000	0
Bond Premium	0	0	0	0	26,989	0
Refunding Bonds Issued	0	0	0	0	0	0
Payment to Refunding Bond Escrow Agent	0	0	0	0	0	0
Operating Transfers In	14,750	29,407	0	11,391	0	29,531
Operating Transfers Out	0	0	0	0	0	0
Total Other Financing Sources/(Uses)	14,750	29,407	0	11,391	2,526,989	29,531
Net Changes in Fund Balance	(23,835)	(1,447,038)	(177,906)	3,620	2,261,694	4,903
Fund Balance/(Deficit) - July 1, 2002	(322,371)	1,477,409	(151,598)	(36,618)	0	(27,628)
Fund Balance/(Deficit) - June 30, 2003	\$ (346,206)	\$ 30,371	\$ (329,504)	\$ (32,998)	\$ 2,261,694	\$ (22,725)

The accompanying notes are an integral part of this financial statement.

					School Capital Projects		
Library Heating Upgrade	DPW New Facility	Engelsby Brook	N. Winooski Streetscape	Firehouse Center	1996 School Capital	2003 School Capital	Total
\$ 0	\$ 0	\$ 77,878	\$ 0	\$ 79,671	\$ 0	\$ 908,302	\$ 2,347,170
0	0	9,166	0	0	0	2,801	32,913
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>563,175</u>	<u>0</u>	<u>0</u>	<u>582,277</u>
0	0	87,044	0	642,846	0	911,103	2,962,360
117,051	0	0	0	1,059,165	24,203	1,401,103	4,088,923
0	11,073	80,653	12,774	0	0	0	1,622,151
0	3,324	6,391	0	0	0	0	54,990
0	0	0	0	0	0	0	201,978
0	0	0	0	0	0	0	22,140
593	0	0	0	0	0	0	7,861
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,628</u>	<u>53,912</u>
<u>117,644</u>	<u>14,397</u>	<u>87,044</u>	<u>12,774</u>	<u>1,059,165</u>	<u>24,203</u>	<u>1,424,731</u>	<u>6,051,955</u>
<u>(117,644)</u>	<u>(14,397)</u>	<u>0</u>	<u>(12,774)</u>	<u>(416,319)</u>	<u>(24,203)</u>	<u>(513,628)</u>	<u>(3,089,595)</u>
0	0	0	0	0	0	860,000	3,360,000
0	0	0	0	0	0	9,123	36,112
0	0	0	0	0	0	1,070,000	1,070,000
0	0	0	0	0	0	(1,060,000)	(1,060,000)
1,718	0	0	3,007	125,000	0	0	214,804
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>1,718</u>	<u>0</u>	<u>0</u>	<u>3,007</u>	<u>125,000</u>	<u>0</u>	<u>879,123</u>	<u>3,620,916</u>
<u>(115,926)</u>	<u>(14,397)</u>	<u>0</u>	<u>(9,767)</u>	<u>(291,319)</u>	<u>(24,203)</u>	<u>365,495</u>	<u>531,321</u>
<u>0</u>	<u>(239,305)</u>	<u>0</u>	<u>0</u>	<u>(334,875)</u>	<u>29,989</u>	<u>0</u>	<u>395,003</u>
\$ <u>(115,926)</u>	\$ <u>(253,702)</u>	\$ <u>0</u>	\$ <u>(9,767)</u>	\$ <u>(626,194)</u>	\$ <u>5,786</u>	\$ <u>365,495</u>	\$ <u>926,324</u>

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2003

	Cemetery Fund	Loomis Library Fund	Lolita Deming Estate Fund	School Land Rent Fund	Westford Scholarship Fund	WEZF 93 FM DARE Fund	Total
ASSETS:							
Cash	\$ 111,368	\$ 11,021	\$ 10,655	\$ 11,178	\$ 0	\$ 1,900	\$ 146,122
Investments	700,000	0	0	0	3,779	0	703,779
Accrued Interest Receivable	<u>9,360</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,360</u>
 TOTAL ASSETS	 <u>\$ 820,728</u>	 <u>\$ 11,021</u>	 <u>\$ 10,655</u>	 <u>\$ 11,178</u>	 <u>\$ 3,779</u>	 <u>\$ 1,900</u>	 <u>\$ 859,261</u>
 LIABILITIES AND FUND BALANCE							
LIABILITIES	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
 Total Liabilities	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>
 FUND BALANCE:							
Reserved for Endowments	820,728	11,021	2,486	1,603	0	1,000	836,838
Reserved for Restricted Purposes	<u>0</u>	<u>0</u>	<u>8,169</u>	<u>9,575</u>	<u>3,779</u>	<u>900</u>	<u>22,423</u>
 Total Fund Balance	 <u>820,728</u>	 <u>11,021</u>	 <u>10,655</u>	 <u>11,178</u>	 <u>3,779</u>	 <u>1,900</u>	 <u>859,261</u>
 Total Liabilities and Fund Balance	 <u>\$ 820,728</u>	 <u>\$ 11,021</u>	 <u>\$ 10,655</u>	 <u>\$ 11,178</u>	 <u>\$ 3,779</u>	 <u>\$ 1,900</u>	 <u>\$ 859,261</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Cemetery Fund	Loomis Library Fund	Lolita Deming Estate Fund	School Land Rent Fund	Westford Scholarship Fund	WEZF 93 FM DARE Fund	Total
REVENUES							
Investment Income	\$ 21,140	\$ 0	\$ 74	\$ 280	\$ 128	\$ 16	\$ 21,638
Sale of Endowments	<u>13,065</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,065</u>
Total Revenues	<u>34,205</u>	<u>0</u>	<u>74</u>	<u>280</u>	<u>128</u>	<u>16</u>	<u>34,703</u>
EXPENDITURES:							
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>34,205</u>	<u>0</u>	<u>74</u>	<u>280</u>	<u>128</u>	<u>16</u>	<u>34,703</u>
Other Financing Sources/(Uses)							
Transfers to Cemetery Department	(21,140)	0	0	0	0	0	(21,140)
Transfers to Library Department	<u>0</u>	<u>(92)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(92)</u>
Total Other Financing Sources/(Uses)	<u>(21,140)</u>	<u>(92)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(21,232)</u>
Net Change in Fund Balances	13,065	(92)	74	280	128	16	13,471
Fund Balances, July 1, 2002	<u>807,663</u>	<u>11,113</u>	<u>10,581</u>	<u>10,898</u>	<u>3,651</u>	<u>1,884</u>	<u>845,790</u>
Fund Balances, June 30, 2003	<u>\$ 820,728</u>	<u>\$ 11,021</u>	<u>\$ 10,655</u>	<u>\$ 11,178</u>	<u>\$ 3,779</u>	<u>\$ 1,900</u>	<u>\$ 859,261</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
 COMBINING BALANCE SHEET
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2003

	Louisa Howard Fund	Walter Carpenter Fund	Vondry Trust Fund	Raymond Tracy Estate Fund	Scholarship Trust Fund	Reed Estate Fund	Fireman's Relief Fund	Christmas Gift Fund	Total
ASSETS									
Cash	\$ 26,622	\$ 6,886	\$ 0	\$ 0	\$ 0	\$ 0	\$ 596	\$ 1,535	\$ 35,639
Investments	<u>0</u>	<u>0</u>	<u>10,405</u>	<u>15,599</u>	<u>137,969</u>	<u>3,671</u>	<u>0</u>	<u>0</u>	<u>167,644</u>
Total Assets	<u>\$ 26,622</u>	<u>\$ 6,886</u>	<u>\$ 10,405</u>	<u>\$ 15,599</u>	<u>\$ 137,969</u>	<u>\$ 3,671</u>	<u>\$ 596</u>	<u>\$ 1,535</u>	<u>\$ 203,283</u>
LIABILITIES AND FUND BALANCE									
LIABILITIES	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE									
Reserved for endowments	500	2,000	0	0	0	3,434	0	0	5,934
Reserved for restricted purposes	<u>26,122</u>	<u>4,886</u>	<u>10,405</u>	<u>15,599</u>	<u>137,969</u>	<u>237</u>	<u>596</u>	<u>1,535</u>	<u>197,349</u>
Total Fund Balance	<u>26,622</u>	<u>6,886</u>	<u>10,405</u>	<u>15,599</u>	<u>137,969</u>	<u>3,671</u>	<u>596</u>	<u>1,535</u>	<u>203,283</u>
Total Liabilities and Fund Balance	<u>\$ 26,622</u>	<u>\$ 6,886</u>	<u>\$ 10,405</u>	<u>\$ 15,599</u>	<u>\$ 137,969</u>	<u>\$ 3,671</u>	<u>\$ 596</u>	<u>\$ 1,535</u>	<u>\$ 203,283</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND BALANCES
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Louisa Howard Fund	Walter Carpenter Fund	Vondry Trust Fund	Raymond Tracy Estate Fund	Scholarship Trust Fund	Reed Estate Fund	Firemans Relief Fund	Christmas Gift Fund	Total
OPERATING REVENUES:									
Investment income	\$ 186	\$ 123	\$ 385	\$ 779	\$ 3,548	\$ 144	\$ 5	\$ 11	\$ 5,181
Total Operating Revenues	<u>186</u>	<u>123</u>	<u>385</u>	<u>779</u>	<u>3,548</u>	<u>144</u>	<u>5</u>	<u>11</u>	<u>5,181</u>
OPERATING EXPENSES:									
Education	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,850</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,850</u>
Total Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,850</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,850</u>
Net Income	186	123	385	779	698	144	5	11	2,331
Fund Balance - July 1, 2002	<u>26,436</u>	<u>6,763</u>	<u>10,020</u>	<u>14,820</u>	<u>137,271</u>	<u>3,527</u>	<u>591</u>	<u>1,524</u>	<u>200,952</u>
Fund Balance - June 30, 2003	<u>\$ 26,622</u>	<u>\$ 6,886</u>	<u>\$ 10,405</u>	<u>\$ 15,599</u>	<u>\$ 137,969</u>	<u>\$ 3,671</u>	<u>\$ 596</u>	<u>\$ 1,535</u>	<u>\$ 203,283</u>

The accompanying notes are an integral part of this financial statement.